

CAI
22
- 57D56



3 1761 11971101 8

Canada. Dominion Provincial
Conference, 1957
Proceedings
[Conferences]

CAI PV 16
57D56



DOMINION-PROVINCIAL CONFERENCE 1957

•

Ottawa, November 25th and 26th, 1957

Gov. Doc

Canada. Dominion-Provincial Conference, 1957

Law

Com

D

[Proceedings]



CANADA



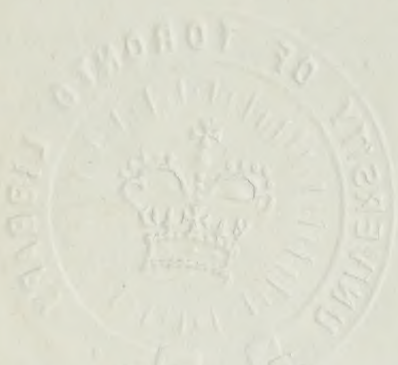
DOMINION-PROVINCIAL CONFERENCE 1957

Ottawa, November 25th and 26th, 1957

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

Price \$1.00

Cat. No. Z2-5701



DOMINION-PROVINCIAL CONFERENCE 1957

Ottawa, November 25th and 26th, 1957

674203
85.3.58

Col. No. 22-1501

Page 11/10

1-0-00100

TABLE OF CONTENTS

	PAGE
Foreword.....	5
Verbatim Reports:	
Rt. Hon. John G. Diefenbaker (Chairman).....	8
Hon. Leslie M. Frost.....	13
Hon. Maurice L. Duplessis.....	19
Hon. Robert L. Stanfield.....	29
Hon. Hugh John Flemming.....	37
Hon. Douglas Campbell.....	43
Hon. W. A. C. Bennett.....	61
Hon. A. W. Matheson.....	73
Hon. T. C. Douglas.....	78
Hon. E. C. Manning.....	92
Hon. Joseph Smallwood.....	95
Appendices:	
A. Press Communique issued at the conclusion of the Dominion-Provincial Conference.....	104
B. Translation of Speeches delivered in French.....	105
C. Submission by the Province of Manitoba.....	107
D. Submission by the Province of Prince Edward Island.....	115
E. List of Federal and Provincial representatives and Advisers.....	129
Index.....	135

FOREWORD

On September 16, 1957, the Prime Minister sent a letter to the Premiers of all the provinces wherein he stated:

"My colleagues and I believe that it would be useful and desirable to arrange a Dominion-Provincial Conference to review the present pattern of tax sharing arrangements I therefore propose that a Dominion-Provincial Conference on fiscal relations be held at Ottawa on Monday and Tuesday, November 25 and 26."

The provinces having indicated general approval of the proposed dates for the conference, the Prime Minister wrote on October 31 to each premier in the following terms:

"I have now had replies from all provinces to my letter of September 16 and I wish to confirm that the Dominion-Provincial Conference on fiscal relations will be held at Ottawa on the dates proposed, Monday and Tuesday, November 25 and 26 In regard to the scope of the conference, the Federal Government believes that it should center on Dominion-Provincial fiscal relations but should afford an opportunity to discuss other current issues which have an important bearing on our fiscal relations. I would suggest that we might have in mind two days of discussion at this November meeting, first in public and then in committee after which we would adjourn to a later date when we would plan to be ready to consider specific proposals arising out of our first meeting."

The conference met in the Railway Committee Room of the House of Commons on Monday, November 25, and Tuesday, November 26. The first day's meeting and part of the second day's meeting were open to the public. After the conclusion of the meetings held in camera on the second day a press communique was issued (see Appendix "A").

During its sessions the conference discussed matters concerning the financing of hospital insurance, the sharing of costs of assistance to persons in need, special assistance to the governments of the Atlantic Provinces and fiscal matters.

It was agreed at the end of the conference that a subsequent meeting be held as soon as possible in the new year in accordance with the proposals made by the Federal Government in calling the conference.

FOREWORD

On September 16, 1965, the Prime Minister sent a letter to the President of the United States in which he stated:

"My colleagues and I believe that it would be useful and desirable to arrange a Canadian-American Conference to review the present pattern of our relations. . . . I am pleased to propose that a Canadian-American Conference be held in Ottawa on Monday, Tuesday, November 22 and 23."

The purpose of the indicated period of the present letter is to inform the President of the Prime Minister's wish to October 21 to each country in the following letter:

"I have now had reports from all quarters in my letter of September 16 and I wish to confirm that the Canadian-American Conference on Trade Relations will be held in Ottawa on the dates previously stated. . . . In regard to the scope of the conference, the Federal Government believes that it would be most desirable to have the conference deal with all matters relating to the economic and trade relations between the two countries. . . . I am sure that the conference will be most successful and that it will lead to a better understanding of the economic and trade relations between the two countries."

The conference will be held in Ottawa on Monday, November 22, and Tuesday, November 23. The dates of the conference were chosen to coincide with the anniversary of the signing of the Ottawa Treaty of Commerce and Navigation in 1854. The conference will be held in Ottawa, Ontario, Canada.

During the conference, the participants will discuss the current state of trade relations between the two countries, the future of trade relations, and the role of trade in the world economy. The conference will also discuss the role of trade in the development of the two countries.

It was agreed at the end of the conference that a subsequent meeting be held in Washington in the near future to discuss the results of the conference. The Federal Government is willing to undertake the necessary arrangements for the conference.

DOMINION-PROVINCIAL CONFERENCE 1957

Railway Committee Room, House of Commons,
Ottawa

Monday, NOVEMBER 25, 1957.

MORNING SESSION

The Conference convened at 10.00 a.m. For the benefit of the television and radio audiences, Right Honourable John G. Diefenbaker, Prime Minister, made a brief speech of welcome to which Honourable Joseph R. Smallwood, Premier of Newfoundland, was invited to respond.

RT. HON. J. G. DIEFENBAKER: Can we now come to order, please. Honourable Premiers, Ministers, ladies and gentlemen, in declaring this Dominion-Provincial Conference formally open, I wish on behalf of the Government of Canada to extend a warm welcome to the Premiers of the ten Provinces, their colleagues and advisers, among whom I am pleased to see outstanding Municipal authorities.

Il me fait plaisir de souhaiter la plus cordiale bienvenue à tous les délégués des gouvernements provinciaux.

Je tiens à leur assurer que le gouvernement fédéral entend travailler avec eux dans un esprit de coopération et de respect mutuel à la solution de nos problèmes fiscaux en tenant compte à la fois de l'esprit et de la lettre de la Constitution canadienne.

We appreciate your taking time from your busy lives to come here and sit down with us to discuss those problems which are of mutual concern in the preservation of our confederation. Out of this meeting I hope will come the beginning of the final conclusions on the complex problems that face us at this time.

I am happy to welcome the Premiers of the various Provinces, and in particular Premier Stanfield who was not here on previous occasions and who, as a result of certain changes, finds himself among the premiers of the several provinces.

In welcoming you, too, I would point out that you will have noted by this time there is some change in the faces of the occupants of the portfolios of the Government of Canada that has taken place in recent months, and I hope, too, that we shall also show a change in philosophy and in outlook to some of the problems facing our country. I welcome you one and all, and I hope that out of this meeting will come fruitful and effective foundations for the solution of our problems.

HON. J. R. SMALLWOOD (*Premier of Newfoundland*): Mr. Prime Minister, Hon. Ministers of the Government of Canada, the Premiers of the Provinces are I think at least as happy to be here as you are to have us, and we are looking forward at least as eagerly as you are, sir, to the proceedings of these next two days. Canada, it so happens, is the third largest land mass in the world.

Only Russia and China are bigger. Canada is, therefore, so big that no one Government could hope successfully to govern it. It takes eleven, and the eleven governments are here today, the Government of Canada and the governments of the ten provinces into which the Constitution of Canada divides Canada. Together we have the totality of governmental power in this nation, and in the next two days I know that Newfoundland hopes—and I am sure that all Provinces hope—that we can work out solutions to the problems that beset all eleven governments, at least in so far as these problems impinge on each other.

I believe I speak for all the premiers, with the possible exception of Premier Stanfield who is here, as you say, sir, for the first time, when I say that we hope we will receive, and we believe we will receive, from you and your colleagues the same courtesy and patience we got in all previous conferences with which I at least am familiar in the last eight years.

We are pinning a lot of faith on this conference; we need a lot of help. We hope we are going to get it.

The Conference was declared formally open at 10.20 a.m. Right Honourable John G. Diefenbaker, Prime Minister of Canada, in the Chair.

The CHAIRMAN: Thank you, Premier Smallwood. Dominion-Provincial conferences are a well-recognized and respected part of our constitutional machinery in Canada. Although not provided for by law they have become established by tradition. The head of each delegation represents the Government of the Queen, responsible to the elected representatives of Canadians, in accordance with the ancient usages of parliamentary democracy. We meet and we parley as equals, equally concerned to provide to those we represent the best government and the best fruits of government.

I think at the very beginning you have a right and you are entitled to a statement as to the general attitude to be taken by the new Government. We desire to achieve harmony in the operation of our governmental institutions in Canada. We respect the constitution and we fully recognize the constitutional responsibilities of the Provinces.

There have been times in the past when we have criticized the extent of federal participation in various common efforts on the part of the Dominion and the Provinces as inadequate. We have given our undertaking that when new fiscal arrangements are determined on, no province will receive less than it is now entitled to. But I want to make this clear at the beginning. We are not placing before you any "take it or leave it" attitudes; we are not taking any hard or fast positions. We are not placing before you any rigid formulae. This conference was convened to seek your ideas and your proposals. Clearly we cannot expect to solve all our major problems in two days, but we can hope in that time to have a general survey of many of them.

This government needs to have an up-to-date understanding of your views of the fiscal relations before it can properly decide upon any changes in its role in such relations. Obviously—and I think Premier Smallwood will agree with this—we cannot do everything that all the provincial governments would wish us to do but we want to know your preferences as to where federal assistance can best be applied. When we have your views and suggestions we would like to study them in detail and prepare some specific proposals to put before

you at a mutually convenient time in the New Year. This would be in accordance with the experience in one or other past conferences, and I believe it is the most acceptable procedure and the only feasible one under all the circumstances.

The purpose of each of us here today, as Premier Smallwood said in effect, is to come together in a spirit of amity, to endeavour while maintaining the spirit and intent of the British North America Act to assure the ability and capacity of the Federal and Provincial governments to discharge their respective constitutional functions. The spirit of Confederation requires that Provincial governments by their demands upon the federal treasury shall not undermine the strength it requires to sustain its own proper burdens, and that the Dominion Government shall not take advantage of the legitimate needs of the provinces to undermine the essentially federal nature of our Constitution: We are here at this time primarily to listen and to learn. We want to learn about your problems, those problems that bear upon ours. We want to hear your suggestions. We, of course, know something from the public record of the past. We wish to hear directly from you of things as they now are and as you see them.

We believe that this Federation cannot thrive in a climate of glaring disparities in levels and standards of service and development as between the several provinces from Newfoundland to British Columbia. Believing in a positive policy, this Government intends in co-operation with the Provinces to co-operate actively in promoting the development of Canada and all its regions. It is our opinion that positive government is necessary both at the Dominion and Provincial levels in assuring national development and we are prepared to assist provinces in carrying out their functions where we agree that is necessary and when parliament approves. We are prepared to consider on their merits major projects which will contribute to national development and which are beyond the capacities of any of the provinces.

In that connection I might refer to three examples. In pursuance of that general plan we have announced a programme in respect of power in the Maritime Provinces. In the Speech from the Throne reference was made to this government's willingness to recommend to Parliament participation with the Government of British Columbia in a joint program for the development of the immense potential of the Columbia River.

Premier Douglas and members of his Government will meet with members of the Federal Government shortly to consider the making of plans regarding the South Saskatchewan River Dam and Irrigation Project.

In all provinces we are ready to enter into partnerships with provincial and municipal authorities in carrying out projects for urban development and improvement upon the generous terms already provided by Parliament under the National Housing Act.

Now, I want to say a word on social security. There are two or three questions relating to social security matters which I think merit discussion and attention at our meetings because of their substantially great financial importance. As I said a moment ago we have not tried to decide on these matters before hearing your views, but I think it only right that I take you into our confidence at the start of our meeting so that we may discuss these matters fruitfully.

The first matter, and it has received considerable attention recently in the House of Commons and outside, is the time of commencement of the assistance provided under the Hospital Insurance and Diagnostic Services Act. As you know, the law now provides that payments commence only when six provinces containing at least one-half the population of Canada have entered into agreements under it and have their own related laws in force. The purpose of this provision, as I understand it, was to ensure that this measure should not be a charge upon the taxpayers of Canada as a whole until a widespread majority of Canadians would benefit from it. That now seems to be assured and I put this before you not in a spirit of dictation or predetermination, but I do say this: unless you express strong reasons to the contrary we are inclined now to recommend to Parliament a change in the law to remove the "six provinces" clause and to substitute for it an earlier and more definite date for commencement of the plan.

The second matter and one that requires attention on the part of this conference is the question as to whether or not mental hospitals and sanatoria for the treatment of tuberculosis shall be brought within the national plan. This is not a question that much affects the public as patients because in general people are already afforded free hospitalization and treatment at provincial expense for these major disabilities.

My colleagues and I have no objection in principle to introducing amendments in Parliament to provide for inclusion of mental hospitals and tuberculosis sanatoria which have been estimated will cost \$68 million to begin with if all the provinces come in and the cost will mount year by year but we wish to make clear that whatever is offered to Provincial Treasuries in this matter cannot be provided in other forms, and in particular must be taken into consideration in any revision of the Tax Sharing Arrangements Act.

Then there are other matters in connection with hospital insurance which require to be discussed but I suggest that they would be better taken up at a separate meeting as they involve less substantial financial expenditures and require more technical consideration.

I wish now to say a word or two on the question of unemployment. In many countries of the free world there has been a pause this year in the rapid pace of development and, as in 1954 and 1955, an increase in unemployment. You will remember in those years that while the percentage of unemployed in Canada in relationship to the number employed was much higher than it is today, that fact and those circumstances did not herald the beginning of depression. What actually happened was that there was a levelling off process which subsequently led to an even wider development and expansion programme. When I say that, of course, I do not mean that prompt action must not be taken to meet what I believe to be a temporary situation this winter. This Government has taken active measures to meet this short term situation and is taking additional ones.

To help the position of the building trades, and in lumber areas, and to meet urgent housing needs, we made available \$150 million additional funds in September to the Central Mortgage and Housing Corporation for the building of low-cost houses. You will note in tomorrow's *Votes and Proceedings* of the House of Commons notice of a further move in this field.

We have made available to coal producers additional subventions for coal in certain mining areas of Nova Scotia and British Columbia.

This week the western Canadian farmer, and Canadians as a whole, will commence to feel the benefit of the legislation passed at this session of Parliament which provides for cash advances on farm-stored grain.

There is before Parliament now a resolution to provide for an extension of the seasonal unemployment insurance benefits; this will substantially relieve the Provinces and Municipalities of the burden of unemployment assistance this coming winter.

While the situation is such as to require further action this winter, there have been encouraging developments recently in the United States and within our own country.

Here in Canada, quietly and gradually over the last three months, the tight money situation has been eased. Those whose business it is to follow the bond market will have noticed it—and that includes many of you here—but it has not attracted as much attention as one would think it has merited. Interest rates have declined; a brisk demand for newly issued securities has appeared; the banks are in a position to increase their loans. First evident in regard to Dominion securities, this change has been spreading to others, including Provincial and Municipal issues. The extent of the change in regard to the securities of the Government of Canada is graphically demonstrated in the terms of the new issue being announced today. It is in two parts—and the shorter term issue, made in order to refund some bonds falling due next month, matures at the same time as the two-year bonds issued in September. However instead of a yield of 4.97 per cent which had to be paid two months ago, we consider now it is only necessary to offer 3.81 per cent—a change of about one and one-sixth per cent in about two months.

While it would be wrong for anyone in my position to attempt to forecast the bond market, let me express the hope that the easier situation already evident will be of assistance to Provinces and Municipalities in the borrowing that many of them are having to do for needed and constructive purposes.

A reduction in interest rates will be of particular benefit to Municipalities, for they have been caught in the last few years in a vise-like squeeze between rising costs in the fields of education, hospitalization, roads and other services, and abnormally high interest rates. We are keenly aware that as a result of these additional costs and the traditionally narrow tax base prevailing in Municipalities, an undesirable burden has been placed on the homeowner. And I am not forgetful of the fact that the Provinces have provided Municipalities with large indirect grants, and have shared in their burden of expenditure, but despite that fact a large onus of responsibility for taxation falls upon those who are homeowners.

That brings to me to a question that has been discussed on a number of occasions—the request of some Provinces for the removal of the so-called “threshold” of .45 per cent under the Unemployment Assistance Act. Its removal would have the result that the Dominion Treasury would share the cost of all eligible cases upon the relief rolls—whether employable or unemployable—and not just the numbers in excess of .45 per cent of the provincial population. We should then be avoiding entirely this invidious distinction between employable and unemployable persons and sharing the costs of providing aid to all those in need, apart from the normal statutory responsibilities of the provinces in respect of mothers’ allowances.

I am told that a change of this nature would make it much easier for some suitable arrangements to assist their Municipalities which have been carrying most of this burden of assistance to those in need, apart of course, from the bulk of the cost being carried by unemployment insurance. The benefits of removing this "threshold" would be fairly equitably divided among all the Provinces that would be participating in agreements under this act, and we see no serious obstacle to meeting your wishes in this regard.

Now may I turn for a moment to the subject of fiscal relations in particular. As I view the situation, the first problem we have to consider is the need for some special recognition of the situation of the Atlantic Provinces. There is, of course, a royal commission considering the particular problem of Newfoundland in accordance with the undertaking in the terms of union, so I shall not endeavour to express opinions upon Newfoundland's position pending receipt of the recommendations of the Commission.

I believe that we all recognize, however, that the Atlantic Provinces as a group are confronted with greater difficulties in public finance than the rest of the nation, if they are to maintain the sort of Provincial and Municipal services that Canadians generally expect. The taxable capacity of the Atlantic Provinces, even in the best of times, is significantly lower than that of the other Provinces.

It must be frankly admitted that to a degree this disparity has been overcome by the equalization payments under the tax sharing arrangements. The Government of New Brunswick argued at the last conference that for the Atlantic Provinces the disparity of taxable capacity is so great that this equalization in respect of the major direct tax fields is not enough, and some additional correction should be made in respect of what they have termed "local sources" of revenue.

The Dominion Government and I believe the Governments of the Provinces recognize the special problem of the Atlantic Provinces. My colleagues and I are prepared to recommend to Parliament some form of special assistance to the Governments of the Atlantic Provinces. I ask you to consider what the total amount should be and how best it can be divided, for it must not be forgotten that this assistance will be provided by all the people of Canada.

Finally, we will wish to review the tax sharing arrangement themselves. I believe that the Dominion Treasury should help to equalize and to stabilize Provincial revenues.

Recognizing these principles, we are prepared to examine their application and to that end I invite the expression of your views.

After hearing your views, the Government of Canada will be in a position to determine which plan, in our opinion, will best represent the achievement of the purpose all of us have in view—the welfare of Canada and its people, and the maintenance of the Federal system.

That, ladies and gentlemen, represents merely an opening for the purpose of attracting the attention of the delegates to the business before this very momentous conference. Now we wish to hear from you something of your views. In the co-operation of a common council I hope we will, in the days ahead, arrive at arrangements and agreements mutually beneficial to this country as a whole.

HON. LESLIE M. FROST (*Prime Minister of Ontario*): Mr. Prime Minister and ladies and gentlemen:

It is a very great pleasure to come to this conference—a conference to which we look hopefully for good results for our country. May I, by way of preliminary, say just a few words to the new chairman, the Prime Minister of Canada. He is the third chairman under whom I have served in my various capacities. First of all I sat under Mr. King, then under Mr. St. Laurent and now, sir, under yourself. Your task as chairman of this conference, indeed your task in the premiership of this country, is a very onerous one, a very difficult one and of the greatest importance. Of course, it is quite easy for me to congratulate you and to wish you well, but I am sure I speak for all people—regardless of party—who in the interests of their country hope that your administration, your premiership and your chairmanship will be a success.

May I at this time say something about your predecessor, Mr. St. Laurent. I think perhaps my good friend, the premier of Quebec, Mr. Duplessis and myself have divided over some years the pleasure of extending at the conclusion of each conference the thanks of the premiers to Mr. St. Laurent for his services and his chairmanship. Now at this moment in history, because it is a moment of history, when he is no longer chairman of this conference and when he is retiring from his leadership of his party, I would like to express my admiration for him which has been well known and which I have stated here on many other occasions. Of course, like the prime minister of Quebec, I have disagreed with him in regard to matters of policy but I have never disagreed with him as a personality and as a great Canadian. As I say I would like today again to voice my appreciation for his ability as chairman of several conferences and meetings and my thanks for the infinite patience he has invariably shown, for his unfailing courtesy which I think sprang from Mr. St. Laurent himself and from the fact that he is, basically, a Canadian gentleman and comes from that great race, two of the attributes of which are courtesy and understanding. To him, I express appreciation for his broad and understanding views, and my personal hope is that he will have health and happiness and further usefulness in this great country which he has served so well.

May I express confidence in our country and in the ability of Canadians to meet and to accommodate themselves to swiftly moving events. We have every reason to face the future with confidence and optimism. We are exceeding, and I am sure we will continue to exceed, the projections of growth made a few years ago. In our great land area we possess assets of all sorts which only require our efforts, our courage and our optimism to develop. A decade and a half ago, on the basis of then existing trends it was projected that Canada's population would reach a maximum of about 15 million by 1990 and then decline. Today, we are 33 years short of that date, yet we are a nation of nearly 17 million people and growing rapidly. Our population increase last year exceeded half a million, and in Ontario alone it was 220,000.

We should set our sights high. We have very great opportunities ahead. It is difficult to be other than optimistic. On the other hand, we should not be complacent. This conference affords an opportunity for a re-examination of our position, not only with a view to meeting the challenge of today, but to lay a firm foundation for future growth, development and prosperity. We, of course, are all aware that our objectives in Canada are tempered and altered by international and other conditions, including that of inflation. Many of these things

can be offset by understanding and co-operation. This conference provides the opportunity for such co-operation and understanding on the part of the three levels of government—federal, provincial and municipal. In this regard, may I pay tribute to the worth of the federal-provincial continuing committee on fiscal and economic matters which provides the means for constantly exchanging material and information, and which undoubtedly will make the work of this and other conferences much easier.

In times of peace, the provinces and their municipalities are the right arm of development. The very expansion of this country has imposed stresses upon their financial position and credit. This is true of Ontario. On the other hand, we are anxious to pull our full weight and to tackle and solve the great problems with which we are confronted to the benefit of both our country and our province. The increased demands for provincial and municipal services in these times should not occasion any surprise. This is the traditional pattern. Historically, provincial and municipal services and functions expand during years of peace, causing increased pressure on their revenues. This circumstance stems from the fact that constitutionally and by the test of administrative efficiency, many of the services and works vital to our peacetime development are the responsibility of the provincial and municipal authorities. These services and works, collectively and individually, are enormous in their scope and are essential and vital to our future.

It should be pointed out that everyone benefits from this type of work, and naturally one of the principal beneficiaries is the federal exchequer. If the provinces and municipalities can push ahead vigorously with their programs, experience shows that their expenditures will have multiplying or self-generating effects that will ramify throughout the nation. Nearly all the expenditures of the provincial governments give impetus in one way or another to revenue-producing activities. They contribute to the productivity and tax-earning capacity of the country, and in as much as the federal government occupies a major position in the revenue field, a material part of every dollar spent by the provinces and their municipalities flows back to the federal treasury in enhanced revenue. This revenue arises not only from direct taxation, such as personal income and corporation taxes, but from sales tax, excise and other taxes in the indirect field, to which the provinces have no recourse.

The problem of this conference, as I see it is to keep the provincial and municipal position strong both revenue-wise and from the standpoint of credit which, if it deteriorated, would subtract from the desirable results I have mentioned. It is a balanced, common-sense approach, that assesses the opportunities as well as the difficulties, that this country needs.

What is the problem to be faced? The provinces with all of their vast opportunities, as well as problems, are confined to the raising of money by way of direct taxation, of which the two most important are personal income and corporation taxes. Constitutionally this type of taxation belongs as much to the provinces as to the Federal Government. The provinces at least have equal rights. The public and developmental works in which they engage, of course, enhance productivity, work and wages. In Ontario I need only refer to the vast power developments—and the St. Lawrence Seaway—and the very large highway and public works programs as examples. Power development for instance has stimulated the growth of industry and population, and, in the process, has magnified the province's problems immeasurably. It

would seem fair that the revenues required to take care of these problems should come in very large measure, if not altogether, from the expanded industry, the new developments and the increased production and income which have occurred.

The objections Ontario has advanced to the present formula is that the standard rates of abatement are simply not realistic. In 1942, when the Provincial Governments suspended their tax rights in the income tax fields in return for a flat subvention, the Federal Government agreed to vacate at the termination of World War II the corporation income tax field to the extent of 10 per cent to enable provincial participation. Today, 15 years later, when the financial obligations of the provinces are vastly greater, the share allotted to them is only nine per cent. The provinces cannot be expected to discharge these greater responsibilities today with a smaller share of corporation tax than had been deemed necessary 15 years ago. Similarly with personal income tax: any arrangement that provides the provinces with only one-tenth of the amount of revenue that the Federal Government collects from this major direct field of taxation, while preserving nine-tenths for the Federal Government, is grossly unrealistic.

We have proposed that the standard rates of tax abatement should be increased to 15 per cent of the federal personal income tax and 15 per cent of corporation income. The adoption of these rates would still leave the Federal Government occupying over two-thirds of the corporation tax field and six-sevenths of the personal income tax field. May I also point out that the succession duty field was entirely provincial until 1942 when the Federal Government invaded this field, but the Federal Government recognizes by their present abatement that the provinces at least have a 50 per cent interest in the field.

Is our viewpoint reasonable or otherwise? If we are to have a healthy industry capable of offering expanded opportunities of employment to our growing labour force, the provinces and the municipalities must be placed in a financial position to enable them to play their essential part. One paramount requisite is that of increased revenues. I am not here today asking the Federal Government to give us money. I am only asking for part of what is our own. Constantly rising provincial and municipal deficits and debts cannot be indefinitely tolerated. In Ontario we have been obliged to resort to the money market to finance part of our capital program, with the result that our own net debt, namely that portion which must be paid out of taxes, has increased by over \$300 million in the last dozen years. Similarly, our municipalities have been obliged to undertake capital improvements which have resulted in an increase of more than \$600 million in their debt, despite the very large provincial assistance to which I shall refer in a moment.

In addition to this assistance, the province is now acting virtually as banker for many municipalities because of credit restrictions. Moreover, we have guaranteed to the extent of many hundreds of millions of dollars the borrowings of government subsidiaries such as Ontario Hydro, the Ontario Northland Railway, the Junior Farmer Establishment Loan Corporation, the Ontario Water Resources Commission and the Ontario Municipal Improvement Corporation.

It is true that the financial position of the province and its municipalities continues to be strong, but how long can this situation continue without additional revenues, and without them what happens to Canadian development and prosperity when we are no longer able to engage in the work we have to do if we are to go ahead with the challenging opportunities before us.

I should like to turn very briefly to some of the things the provinces must do if Canada is to meet the tests of these days. I shall refer particularly to the province which I have the honour to represent. In doing so, I fully recognize the problems of our sister provinces. First of all, we believe that the objectives of all Canadians in this mid-part of the twentieth century must be the development and expansion of this great country. While as a province we recognize our limitations, we are prepared to adopt a bold and imaginative course and to play our full part in ensuring high and stable levels of employment and income. Certainly, with all the things there are to do, we do not propose to sit idly by and allow ourselves to drift into a state of pessimism and depression. Accordingly, we are carrying out a program of development which is bound to bring in its train all of the incidents and problems which run with growth. We are doing that as our calculated policy. I have no doubt that the other provinces are similarly engaged.

Our provinces and their municipalities provide a variety of services and functions which exercise a direct bearing on the pace of our industrial development and our standards of education, health and general economic well-being. I have on many occasions before said that industry cannot operate or expand in a vacuum. To flourish it requires a friendly climate—one created in part by a broad structure of provincial and municipal services such as highways, roads, electric power, fresh water supply, sewers and sewage treatment plants, a sound education system, modern hospitals, fire and police protection and welfare services.

In Ontario we have a rapidly expanding population. There is every indication that this trend will continue. The most marked increase in our population has been in the younger age groups. Our school enrolment has increased as much in the last ten years as in the previous hundred years. Each year now we must provide accommodation in our elementary and secondary schools for an additional 70,000 pupils. Our over-all population has been growing at the exceptionally high rate of nearly $3\frac{1}{2}$ per cent per annum, but our school population has been increasing at double that, namely 7 per cent, and the end is by no means in sight. Greater annual increases in enrolment must be anticipated. In the last dozen years, the province has stepped up its grants to the local school boards tenfold. In our last budget, \$104 million went to local school boards, an increase over the previous year of \$23 million. This increase alone was over one and a half times our total budget for education fifteen years ago. Our studies clearly indicate that if the burden of education costs on our local taxpayers is to be held in check we must make an even greater increase next year, and the end then will not be in sight. Remember that the material for our universities comes from the development of our human resources in elementary and secondary schools.

The requirements of our universities and agricultural colleges are another challenge. Student enrolment will double in the next ten years and quadruple in less than twenty years, reaching about 100,000 by 1975. To accommodate such an avalanche of applicants requires Herculean measures. Education is a

matter which constitutionally belongs to the provinces. Where would our prospects and our country be if they could not carry out this task for which they require financial resources? In our vast country, we have only 17 million people. We have to make up in training and knowledge for our lack of numbers. This year, the province is contributing in assistance to universities and colleges nearly \$30 million which approximates our entire outlay for schools and universities just a dozen years ago. We have asserted for many years that education is Ontario's greatest single problem, and I have no doubt that it is true elsewhere.

Population and industrial growth has created demands for many other services as well. For one thing, there has been an unprecedented rise in the volume of traffic on Ontario's highway system. Over a million more vehicles are registered in Ontario today compared with twelve years ago. The annual increase has been running about 8 per cent—nearly 100,000 more vehicles each year. Large sections of the highway system have simply become outmoded. This year the province and the municipalities will spend about \$285 million for highways and roads, and there seems to be little possibility of appreciably reducing that total in future years. Many heavy demands were created during World War II, not only for highways, but for other works and services. Despite our large capital program, there is still a pressing need for hospitals, water and sewage projects, conservation works, utilities, and many other services. Of course, associated with growth of population are the requirements for welfare services. In view of rising costs, it has been imperative for us to assume a larger proportion of the burden of our municipalities. As a result, we have increased our municipal assistance in the last fifteen years from about \$18 million annually to \$216 million this year. The increase this year alone has been \$36 million, and it is apparent that our assistance cannot stop here.

In addition to the large amount of annual payments for education, health, welfare, natural resources conservation and protection and assistance to municipalities, which are classified as ordinary expenditures—the province is engaged in carrying out a capital construction program of unprecedented size. The following is a rough estimate of some of the principal items of public capital investment required in Ontario in the next twenty years.

	\$ Million
Ontario Hydro	3,000
Highways	3,000
Schools	1,200
Universities	275
Water and Sewage Works	2,400
Hospitals, other Public Buildings and Conservation Works	1,250
	<hr/>
	11,125

The above expenditure is for capital purposes. Added to this on ordinary account is the maintenance and operation of all of these projects. Some, of course, are self-liquidating. Others have to be paid for by taxes, but all involve credit which is directly dependent upon our revenues.

These works and the money to run them should come directly from the productivity they are creating. Their construction and operation spell employment, wages, work, unlimited opportunity for the individual and incomparably

higher standards of living. Most are the type of project which should be financed by progressive taxes. It is from the income and productivity generated by these works that the revenue should arise. If the provinces and their municipalities are driven to the adoption of oppressive and unsound taxation, we are going to kill the goose that lays the golden egg. The solution to this problem lies in a realistic appraisal of what we have to do and with it a realistic division of tax sources. Remember, the Fathers of Confederation were very wise. The direct tax fields were given equally to the Provinces and the Federal Government. It is for a just portion of these fields that the Provinces are asking. In addition to occupying by far the greater part of the direct tax fields, the Federal Government has the exclusive use of indirect taxes, including indirect sales, excise and other taxes.

I should also point out that the Federal Government obtains about 60 per cent of the tax revenue paid by our natural resource industries, companies that are engaged in logging and mining operations, while the Province receives only 40 per cent. Such a division of tax revenue, coming from resources of which the Provinces possess ownership and are saddled with the costs associated with conservation, protection and management, is highly illogical and unsound. In this particular field the natural resource taxation, the provincial tax should be allowed as a full offset against the federal corporation income tax. I am sure that you will not regard these objectives as unreasonable. Indeed, you may well ask how the job to be done can be accomplished even though our revenues are improved by the arrangements I have proposed.

Ontario is concerned with the problems of the other Provinces. We recognize that all the difficulties do not lie in the Provinces having the greatest concentration of industry and population. We support adjustment payments to the other Provinces and have gone even further. We believe that such adjustments are necessary. Also, we have long urged the adoption of works which would permit the even development of all Canada. Speaking of our own province, the position is crystal clear. Ontario cannot get along with the present standard rates upon which the whole system of fiscal adjustments is based. It is fundamental that the standard tax abatements be raised to a realistic level if the system is to work. Certainly the present abatement rates are not fair or adequate. Indeed, all the revenue Ontario now receives from personal income and corporation taxes is being paid in the form of grants to municipalities and school boards and this is not meeting their needs. In 1958 the revenue from these sources will not be nearly sufficient for this purpose alone.

All this strengthens our conviction that the standard rates of tax abatement under the present arrangements have no relation to the problems created in Ontario by the incidence of population and industrial growth.

Concerning the matter of credit, we have been hampered by the sharp increase in interest rates during the past two years. We are conscious of the danger of inflation and we do not wish to minimize the difficulties of control. I do point out, however, that measures taken have had very uneven results. There have been many innocent victims, including small businesses as well as our Provincial and Municipal Governments. It has been hard lines for municipalities and school boards committed to undertaking essential works for, say, education, to have to enter the capital money market and pay for 20 years or

so interest rates which in the last two years have doubled. Some municipalities have been unable to get money at any price, with the result that the province has had to act as banker. The Province has been taking up municipal and school debentures, assuming what is really the task of recognized lending institutions. Is there not some way of dealing with the problem of inflation without striking so vitally essential services upon which our future development depends?

I have previously expressed our dissatisfaction with the proposals which were made in 1955 concerning assistance for the unemployed employables. Every responsible authority in the 1930's and the early 1940's, including the Federal Government itself, held that the provinces and their municipalities should look after the unemployables while the Federal Government should be responsible for the unemployed employables. To take care of this problem, the Federal Government was assisted by the Amendment to our Constitution in 1941 providing for the establishment of federal unemployment insurance. It was with dismay that we were presented with the take-it-or-leave-it proposal of 1955, that the Provinces should continue to care for their own burden and assume half of the Federal Government's, namely the care of the unemployed employables after the expiry of unemployment insurance benefits. We did not consider that equitable and fair at the time, nor do we now.

In concluding my remarks, I should again like to refer to our great Canadian possibilities and the necessity of understanding, co-operation and practical measures to make our system of government, which is a good one, function in the most efficient way. I can assure you, Mr. Chairman, that we welcome this opportunity of discussing our problems, and the problems of our country, with the representatives of the Government of Canada and our sister provinces. We are anxious to contribute to a workable solution. You may be assured that we will give every assistance in making this conference and the policies that may emerge from it a distinguished success. We are confident that these deliberations will contribute to the expansion and development of our country with its limitless opportunities. Thank you very much.

(Texte)

L'hon. MAURICE L. DUPLESSIS (*premier ministre de la province de Québec*): Monsieur le premier ministre du Canada, messieurs les premiers ministres provinciaux, ministres fédéraux et provinciaux et délégués. Il est tout naturel et il convient que mes premières paroles, à l'ouverture de cette importante conférence, soient prononcées en français, dans la langue de ceux qui ont joué un rôle d'importance vitale dès le début et tout au cours de l'histoire du Canada, c'est-à-dire les pionniers, les découvreurs et les civilisateurs.

Le premier ministre a prononcé des paroles de bienvenue en français. Je veux le remercier du geste courtois qu'il vient de poser à l'instar de Sa Majesté la Reine lors de sa récente et mémorable visite à Ottawa. Avant aujourd'hui j'ai participé à de nombreuses conférences intergouvernementales canadiennes. D'une manière générale c'étaient plutôt des circonférences puisque nous tournions toujours dans des cercles vicieux. M. Mackenzie King, qui a présidé un grand nombre de ces conférences, ne s'est jamais à ces occasions exprimé dans la langue française. Par contre M. St-Laurent, au cours des réunions qui eurent lieu alors qu'il était premier ministre du Canada, s'est adressé, à maintes reprises, aux délégués en français.

Il est exact, comme le déclarait tout à l'heure M. le premier ministre, que dans le gouvernement fédéral les figures sont changées. Nous espérons que la politique fédérale en matière de relations intergouvernementales canadiennes sera aussi changée. En ce qui concerne la province de Québec, dans le domaine des relations constitutionnelles fédérales-provinciales, nous n'avons pas changé et nous n'entendons pas changer. C'est notre opinion que le règlement des problèmes fédéraux-provinciaux dépasse en importance tous les intérêts partisans, tous les partis politiques et tous les chefs politiques.

Nous sommes convaincus que le système confédératif est celui qui convient le mieux à notre pays. Ce système a été édifié, pétri, pour ainsi dire, dans le sang de nos ancêtres héroïques; il est né des sacrifices sans nombre, de la ténacité, du patriotisme de nos ancêtres. La Confédération canadienne a été établie à la suite de 107 ans d'études, de réflexion, de travail, d'expérimentations qui ont donné lieu à d'immenses sacrifices et même à une révolution. Est-il raisonnable de penser que 107 ans de travail, d'étude et de pareils accomplissements auraient édifié une œuvre dont la durée serait limitée à 90 ans? Une semblable prétention serait souverainement injurieuse et constituerait une injustice impardonnable à l'endroit de nos héroïques et valeureux pionniers.

Et d'ailleurs que signifie la Confédération? La Confédération est un pacte d'honneur conclu entre les quatre provinces pionnières, ou plutôt entre les représentants des deux grandes races, lequel pacte a été ratifié par le Parlement de Westminster agissant en l'occurrence comme notaire pour authentifier cette convention ou ce contrat. L'importance de l'année 1867 n'échappe à personne. Pendant près d'un siècle après 1760 des luttes homériques furent livrées et de grands sacrifices furent accomplis afin d'obtenir un régime parlementaire et le gouvernement responsable. La Confédération n'a pas été établie pour oublier ou annuler ces grandes réalisations mais bien pour les confirmer et les consolider. Est-il possible d'avoir un gouvernement responsable sans pouvoirs de taxation? De toute évidence cela n'est pas possible. Quand un gouvernement dépend d'un autre gouvernement, il est un pensionnaire sans réelle liberté d'action inhérente au régime du gouvernement responsable.

La province de Québec ne demande pas de faveurs; elle réclame purement et simplement le respect de ses droits et de ses libertés. Rien de plus mais aussi rien de moins. Chaque province, dans son territoire, a des droits exclusifs en matière de taxation directe lorsqu'il s'agit de fins provinciales. Personne de bonne foi ne peut contredire cette affirmation. A ceux qui proclament que le fédéral possède des droits concurrents en matière de taxation directe, nous rappelons l'article 92 de la constitution canadienne et nous ajoutons qu'un droit concurrent ne comporte ni monopole ni accaparement. Si deux personnes ont droit de puiser de l'eau à une source, ce droit confère aux deux le pouvoir de se rendre à la source; aucune de ces deux personnes ne peut légitimement empêcher l'autre de se rendre à cette source. La province de Québec demande à Ottawa de faire disparaître les nombreux obstacles que le fédéral multiplie illégitimement au point de rendre excessivement difficile et pratiquement impossible la libre circulation sur le chemin conduisant à la source des revenus.

Nous désirons que les provinces puissent exercer intégralement leurs pouvoirs de taxation en matière d'impôts sur le revenu personnel, d'impôts sur les corporations et de droits successoraux. Les droits de succession appartiennent aux provinces; ils découlent du code civil et de la constitution canadienne qui réserve exclusivement aux provinces les questions relatives au code civil et au droit de propriété (Civil and Property Rights). Quand M. King, en 1942,

s'est emparé, et cela pour la première fois dans l'histoire du pays, des droits de succession il a tenté de justifier cet impiétement en invoquant deux drôles de motifs; premièrement, en imposant les droits de succession, disait M. King, le fédéral rendra possible la perception intégrale de l'impôt sur le revenu personnel. Curieux argument! Si le fédéral reconnaît être incapable de percevoir les revenus d'une seule taxe, il ne rend pas son ouvrage plus facile en ajoutant la perception d'une deuxième taxe. De plus, la théorie de M. King vient à l'encontre du "fair play" britannique et du vieil axiome que—personne ne peut être condamné sans avoir été entendu—. S'attaquer à une personne qui est morte n'est certainement pas un acte de bravoure et encore moins un acte de justice parce qu'il se peut que de son vivant la victime aurait pu se défendre victorieusement.

Nous sommes d'opinion qu'Ottawa ne pourra jamais justifier son intrusion dans le domaine provincial des droits successoraux. Quant à l'impôt sur le revenu personnel et l'impôt payé par les corporations, il nous semble que la constitution canadienne est assez claire à ce sujet. Toutefois pour dissiper les doutes que peuvent avoir des personnes de bonne foi, nous suggérons de nouveau les trois méthodes suivantes de pourvoir aux problèmes constitutionnels fédéraux-provinciaux.

1. Clarification et délimitation précise des pouvoirs de taxation du fédéral et des provinces, suivant l'esprit et la lettre de la constitution canadienne, c'est-à-dire en tenant compte du passé, du présent et de l'avenir.

2. Simplification de l'impôt public de manière à en diminuer le coût et en faciliter la perception.

3. Collaboration de tous les pouvoirs publics pour en arriver à la modération dans le domaine de l'impôt afin d'alléger en autant que possible le fardeau du contribuable.

Mr. Chairman, Right Honourable Sir, Prime Ministers of the provinces, Federal Ministers, Provincial Ministers and Delegates. I wish first to thank the Prime Minister of Canada for his courtesy—his appropriate courtesy—in saying a few words in the French language at the opening of this momentous conference. I am very pleased to thank him and congratulate him. While Mr. King was Prime Minister the Province of Quebec's representatives were never shown the same courtesy. I extend my sincere congratulations to the Prime Minister on this improvement!

I also wish to mention the fact that while Mr. St-Laurent was prime minister the representatives of the Province of Quebec were greeted in the French language. Nevertheless I express the hope that the present Federal Government will not be inspired by the bad example set by Mr. St. Laurent's administration in regards to federal-provincial fiscal problems. I fully agree with Mr. Frost in expressing our appreciation for Mr. St. Laurent's courtesy which, after all, is only one of the innumerable qualities of the Province of Quebec.

We are today inaugurating a conference between Canadian governments and its primordial importance, we are convinced, is recognized by everyone. No feeling of political partisanship inspires us. It is our profound conviction that a just and friendly solution of Canadian constitutional problems far transcends, in importance, the partisan interests of any political group. It is our sincere desire to co-operate towards the progress and prosperity of our Canadian homeland, while fully respecting the liberties, prerogatives and essential rights of both provincial and federal authorities.

We wish to avoid, as much as possible, discussions liable to cast a shadow on the cordial and fraternal atmosphere which is both desirable and desired.

If we are called upon to study and discuss too many problems during the present Conference it would only bring confusion. Confusion brings unfortunate delays and undesirable misunderstanding. It is not conducive to harmonious relations or to mutual appreciation and understanding.

Accordingly, as far as Quebec is concerned, we wish to discuss at this Conference a problem of vital importance—the federal-provincial fiscal relations. After all, on this earth money is absolutely necessary to administer and legislate in an appropriate and progressive way.

The first question on the agenda obviously is the problem of federal-provincial fiscal relations; in other words, the equitable and appropriate division of federal and provincial revenue sources. The vitality and progress of a genuinely national harmony, as well as the development of Canada, of the provinces, the municipal, school and parish Corporations, are intimately connected with the solution of this financial problem.

For quite a number of years many newspapers published an unfortunate propaganda tending to create the impression that when the provinces claim what belongs to them Ottawa is asked to make concessions. This propaganda is regrettable and not inspired by the love of truth. The question today is not a question of federal concession—it is only and simply a question of federal restitution. Furthermore, the sum of \$50 million mentioned by certain newspapers as the share of Quebec in the equalization payments is very much exaggerated. I like to think that the present Federal Government has nothing to do with this unsound and unfair propaganda. After all, this propaganda is not conducive to harmonious and friendly relations between the different levels of government.

I am drawing attention to this unfair propaganda in the hope that the present Federal Government does not approve of these unsound tactics.

It is important to focus attention upon certain fundamental truths, on which all real and lasting progress must be based, if we are to appraise the meaning and scope of these fiscal or financial questions at their true value.

Let us, first of all, remember that in each Province the federal taxpayer is at the same time the provincial, municipal, school and parish ratepayer. What advantage would be gained in having the tax dollar collected for provincial purposes make a wide detour via Ottawa before being returned to us? Would it be any bigger when it reached us after such a journey? Obviously not.

The taxpayer's ability to pay is not limitless and it is necessary that the tax he pays should be suitably levied and divided between the powers, which he supports and on which he depends, so that his spirit of initiative will not be destroyed by unduly onerous assessments. The collection of these taxes is closely linked to the essential function of government and the truth of two well-known axioms is undeniable: "Whoever holds the purse-strings, at all times, exerts the supreme authority", and "The right to tax is the right to govern".

According to newspaper reports, the Prime Minister keeps pleasant memories of his meeting Sir Wilfrid Laurier some fifty years ago in Saskatoon, I think. Our illustrious compatriot declared in 1887:

"The principle by which one government collects the revenues and another government spends them is wholly false."

And this is true. More than forty years later,—because basic truths become more and more luminous with the passage of the years—, the Right Hon. Mackenzie King, being then inspired by the policy of Laurier, told the House of Commons in 1929:

"I believe that everyone who has given any attention to public finance will agree that it is a thoroughly vicious system to have one body raise taxes and another body expend the money thus secured. In other words, give to the provinces these grants from the federal treasury, without their being obliged to raise the money themselves by taxation, and you will not get, with respect to expenditure, that careful supervision which would be exercised if the Provinces themselves were obliged to raise the money in the first instance. It is a bad system, a thoroughly vicious system."

And in 1930, Mr. King further stated:

"When on a previous occasion we were discussing this matter of grants from one treasury to another, I said I thought it was an unsound principle; in fact, I think I used the expression that it was a vicious principle to have one body raise the taxes and another body spend the people's moneys thus raised."

The Founding Fathers chose a federative system because, in a country such as ours, it is the only formula that can be reconciled with freedom and democracy. On the federal-provincial plane there can be no question of a hierarchy but only of a division of powers.

But some people in Ottawa—I am not referring to the members of the present Federal Government—have undoubtedly a centralizing mentality. For instance when federal parliament is mentioned, they use capital "F" and capital "P". But when there is a reference to the provincial legislatures they use very small letters. One may say that this is not important, but just the same it manifests a disrespectful attitude towards provincial legislatures. Under the federal-provincial plan the federal authority and the provincial authority are both sovereign within the limits of their attributions. With the exclusive right of legislating in certain matters there ought necessarily to go the corresponding right to impose taxes for these purposes. Of what use would it be for the Provinces to have the right to build schools and hospitals if they are dependent on another authority in order to obtain the necessary funds? Their sovereignty with respect to education and hospitalization would then be meaningless.

We all remember the battles that were waged up in Nova Scotia for the right to administer their own affairs and to be master in their own house.

It is also proper to consider these financial questions in the light of history and in relation to our constitutional rights and duties. In our political history, the importance of the year 1867 is inescapable. Homeric conflicts were fought and great sacrifices were made, for nearly a century, after 1760, to achieve

responsible government and a parliamentary regime. Confederation was established to confirm and to consolidate these tremendous accomplishments but never to forget them or render them useless.

It took more than a century to build the Canadian confederation—a century of sacrifices, heroism, Homeric tenacity. To achieve responsible government there even was a rebellion in Ontario and Quebec. It would be most regrettable, most unfair and insulting to them to think that the intrepid builders and architects of Confederation would have taken more than a century to build something that could last only 90 years.

It is certain that responsible government can never exist if fiscal powers, which are indispensable to the exercise of the constitutional rights and the performance of the constitutional obligations, are not wedded to legislative and administrative prerogatives. Common sense and good faith are always in order and they demand that the recognition of a right shall automatically include the recognition of the power to exercise it.

Prior to Confederation, the Union of Upper and Lower Canada proved to be an unfortunate experiment. They had forgotten that you do not marry two sisters. Obviously, if the union of Ontario and Quebec was not successful, the legislative union of ten provinces under a single government would be still more unfortunate. That is why the Fathers of Confederation, belonging as they did to opposing parties, to differing religions and to diverse races, studying and deliberating in a period of calm and reflection, came to the logical conclusion that a confederation formed of a central power and of autonomous provinces is the only governmental regime suitable for Canada. They attributed to one and to the others the prerogatives, liberties and powers necessary to a defined field of activity.

It is important to bear in mind that when, according to the expression of a Canadian public man, "the Parliament of Westminster limited itself to authenticating" the understanding reached between the representatives of the four pioneer Provinces, or, more appropriately, between the representatives of the two great races, to form a Canadian Confederation, Lord Carnarvon, who has been called the legislator of the Act of 1867, declared:

"Lower Canada, too, is jealous, as she is deservedly proud, of her ancestral customs and traditions; she is wedded to her peculiar institutions, and will enter this union only upon the distinct understanding that she retains them."

Let us also remember that one of our most illustrious statesmen, Sir Wilfrid Laurier, drawing on his vast knowledge of constitutional law, affirmed in 1871:

"It is a historic fact that the federative form of government was adopted only to conserve to Quebec the exceptional and unique position she occupied upon the American continent."

The declaration of Honourable Honore Mercier, in 1884, may also be recalled:

"The existence of the provinces preceded that of the Dominion (Canada) and it was from them that she received her powers. The provinces are sovereign within the limits of their attributions and any assault upon that sovereignty is a violation of the federal pact."

In 1925, the Rt. Hon. Ernest Lapointe, then Federal Minister of Justice, declared:

“The federal power is the child of the provinces; it is not their father.”

These are basic truths that no real progress can ever put aside. Confederation was preferred to legislative union and this is a definite state of affairs which is founded on the good faith of the contracting parties and upon the best interests of Canada.

Canada is too vast a country and her administration and her legislation have to deal with too many, too varied and too complex problems to be governed by a unitary state. A former President of the United States, Woodrow Wilson, proclaimed an obvious truth when he said:

“The history of liberty is the history of the limitation of governmental power, not the increase of it. When we resist concentration of power we are resisting the powers of death, because concentration of power is what always precedes the destruction of human liberties.”

Federalism alone can guarantee national harmony and can make Canada a great and strong nation by uniting, without merging them, the races and the regions of which she is composed.

It is one of the essential prerogatives of autonomous provinces to be able to raise, by means of direct taxation and in the way they deem best, the moneys necessary for the good functioning of public services and also for the application of the laws adopted by their parliaments; these prerogatives ought to be considered not only in terms of immediate needs but also to pursue a forward-looking policy, since to govern is to foresee.

The federative system which necessitates, fundamentally, an attribution of public tasks, must also provide a correlative division of revenue sources. Of what benefit to the provinces would be the most extensive legislation and administrative powers if, on the other hand, they were prevented from collecting the revenues that the exercise of these powers demands?

A central government which would appropriate to itself the sources of taxation would, by this very fact, reduce the provinces to legislative impotence. Effectively, a province with no other revenues than federal subsidies would become a kind of inferior organism, under control of the authority which could measure out its means of subsistence. In other words, such a situation would amount to replacing the reins enabling one to drive, with shackles that paralyse and enslave. It would amount to giving the key of one's house to another. This key is a fitting symbol of fiscal powers and indicates that one is master in one's own home, as we desire and have a perfect right to be.

The Canadian constitution consecrates the exclusive right of the provinces to legislate respecting matters of very great importance, notably in regards to education, hospitals, asylums, institutions and charitable homes, public works within the province, administration of justice and all that touches property and civil rights. A progressive legislation in these domains necessarily entails considerable expense and clearly requires that the provinces have the right to raise the necessary moneys. Fiscal power is all the more indispensable in the case of a province, such as the Province of Quebec, which is developing itself with giant strides; development which greatly enriches Canada but which exacts, on the part of the province, numerous and additional outlays in particular for new schools, new hospitals, for social legislation and for other provincial purposes.

Moreover, our attention should be focussed on the serious problem facing municipal corporations and also school and parish corporations. Their sources of revenue are decreasing proportionately to the increase of the federal sources of revenue. Ottawa, today, is taking more than \$0.75 of each dollar paid by the Canadian taxpayer, leaving to the provinces and to the provincial public corporations less than \$0.25 of each dollar. Let us always remember that municipal corporations and other public corporations of a provincial character form an essential part of our democratic way of life.

For the fulfilment of their obligations and the exercise of their prerogatives, the Provinces have reserved to themselves, in the first place, their natural resources, public lands, forest, mines, hydro-electric powers, etc.— In addition, direct taxation within the limits of the Province and for provincial purposes has been recognized as a provincial source of revenue. The Canadian Constitution entrusts to the Provinces precise and very important duties and the Provinces have a perfect right to levy and collect revenue coming from direct taxation. To the Federal Government have been exclusively attributed indirect taxation and, moreover, certain rights with respect to direct taxes, but for federal purposes only and never for provincial purposes.

Up to the First World War, that is to say during the first 50 years of Confederation, when the events of 1867 were still fresh in people's memory and consequently, when it was easier to interpret the intention of the constituents, the Federal Government abstained, in a general way from levying direct taxes and by that very fact gave an important interpretation to the Canadian Constitution with respect to fiscal matters. When federal income tax was established in 1917, the Federal Minister of Finance thought well to specify that this was only provisional and in the nature of a war measure. In fact, Sir Thomas White told the House of Commons during the session of 1917:

"The income tax is peculiarly within the jurisdiction of the province and is a suitable tax for the purposes of the province and the municipalities."

We still believe in the same principles. Prudence is one important source of security. Since I have been attending Canadian inter-governmental conferences,—and I have attended very many—the federal authorities have always mentioned temporary agreements. In the first place it was on account of the war; after that it was because of the after-war problems and later on it was to prepare for the next war. In short the temporary agreements tend to become permanently temporary.

When Sir Thomas White stepped into the income tax field it was, according to his own admission, essentially a municipal and provincial tax field. Nevertheless, the federal authorities continued to grab and grasp. Co-operation cannot be based on grabbing or grasping; co-operation must be founded on restitution and understanding.

In respect to succession duties, until 1942 never had the Federal Government entered the field of succession duties; it is essentially a matter related to civil rights and property. To tax succession duties could amount to abolishing or modifying the line of succession edicted by the Civil Code.

The reasons given by Mr. King to impinge upon provincial rights in this domain were twofold and both motives were strange enough. Firstly, he said he wanted to make sure to be able to collect personal income tax. If the collection of one tax is difficult it is, to say the least, unsound to double the difficulties by

adding another tax. Secondly, Mr. King said he wanted to have succession duties because he wished to find out, when the man was dead, if he had paid his personal income tax. Obviously, this is not very brave and it is against British fair-play. A man cannot be condemned unless and until he is heard and has been given a chance to defend himself. According to Mr. King's policy the tax-payer would have to be dead and unable to defend himself before the federal tax collectors enter into the picture. Therefore, Ottawa has a good opportunity to use common sense and pay due respect to the constitution in the matter of succession duties.

Federalism offers invaluable democratic advantages. It constitutes one of the best safeguards of democracy which benefits from the decentralization it favours. It is a historic fact that centralization is always found in totalitarian countries and is a *sine qua non* of state socialism which is particularly repugnant, and with reason, to the Province of Quebec.

When the Canadian Constitution was adopted only two taxes were replaced by federal subsidies to the Provinces; customs and excise duties which partake of an international character.

I know that some federal officers believe that the Provinces should not exist. They consider them only as glorified small municipal governments. They are craving for a unitary government. They have always this in mind when making reports or preparing statistics. With all due respect for their opinion we consider this attitude unsound and unconstitutional. From a common-sense standpoint is it not a fact that competition breeds progress? Comparison between the two levels of government, federal and provincial, is conducive to progress and improvements. With a unitary government what would happen to the municipal authorities, to the school boards and to all the important fields of activity exclusively and expressly reserved in favour of the provinces?

The provincial entities are as necessary as the federal entity. The fact that only two taxes,—customs and excise duties—were replaced by subsidies is most significant.

The Provinces did not give birth to Ottawa to be killed by Ottawa. In addition Article 92 of the Canadian Constitution is positive: the Provinces have definite powers of taxation that cannot and should not be denied.

The Provinces should not be the pensioners of Ottawa. In their own fields the Provinces are as important as Ottawa is in its own field. We are only asking for the respect and safeguard of our rights and prerogatives.

If, in the opinion of the Fathers of Confederation, federal subsidies were to replace provincial fiscal powers, they would not have specifically replaced only two taxes by such federal subsidies and, furthermore, they would not have specifically reserved to the Provinces definite powers of taxation.

Some persons contend that the Founding Fathers could not have foreseen what was to happen in the future. That is a sophistic argument which fails to distinguish between the essential and the accessory. The essential, the basis, is the democratic parliamentary regime based upon responsible government. The accessory, consists in the means or methods to be taken to attain these fundamental ends in the light of new conditions. Yesterday as today, and today as tomorrow, a government which does not possess essential powers of taxation is not a responsible government; it is merely an organism in tutelage or in the curatorship with its administrative and legislative activity practically paralysed.

In the opinion of an eminent Canadian, the late and regretted Hon. Angus Macdonald, it is no more than a "mere annuitant". It is clear that such a situation is at the antipodes of provincial prerogatives and dignity.

Federalism is a guarantee of an essentially democratic regime and one very close to the people, as should be the case. Our Canadian federalism is based on common sense and logic and constitutes, especially in respect of the Province of Quebec, a powerful safeguard for its inalienable rights in educational matters. A unitary government would lead towards the disappearance or anaemia of municipal and school corporations in particular.

The Canadian constitution is the result of comprehensive co-operation. This co-operation should be continued for the greatest good of the country, but co-operation is not and must not be a one-way street, nor can it ever be based upon encroachment or assimilation.

Assuredly, it is in order to come to the aid of the poor provinces, the number of which has undoubtedly decreased, but that aid should be given in a way that is fair both to the donor and to the beneficiary. At no time has Quebec ever allowed herself to be outdone in generosity; for centuries her sons have magnificently made their contribution to the upbuilding of Canada. Let us not forget that for many years the population of our Province has been pouring hundreds of millions of dollars into the Federal Treasury, from which the other Provinces have largely benefitted.

We are always happy to help but, naturally, it is for the owner to decide what disposal should be made of his own assets. The Provinces alone have the right to collect taxes for provincial purposes. Ottawa insists upon keeping her powers of taxation. Why should the Provinces not have the same instinct of conservation? What should the federal authority say if the Provinces, which gave birth to the federal state, were asking Ottawa to exchange her powers of taxation for provincial subsidies? The golden rule says: "Do not do to others what you would not have them do to you". The application of this precept would settle many problems, not only between individuals but also between peoples and public powers. The Province of Quebec is not asking for favours; it only claims respect for the rights, prerogatives, liberties and duties of one and all.

It is the considered opinion of the Government of the Province of Quebec that the Canadian Constitution, whose foundations should remain untouched, is sufficiently clear, but since doubts on this subject have been expressed by persons of good faith, we suggest it would be useful to dissipate these doubts and this by the three following methods:

1. Clarification and delimitation of the powers of taxation of both the Federal and Provincial authorities, in accordance with the letter and spirit of the Canadian Constitution, that is to say having regard to the past, the present and the future.

2. Simplification of public taxation in such a way as to reduce its cost and facilitate its collection.

3. Moderation in the domain of taxation to be arrived at by the collaboration of all public powers, in such a way as to ease the burden of the taxpayer so far as possible.

Too often there is a tendency to increase the tasks of the state and, consequently, to provoke inevitable increases of taxation. We consider that the state's proper role is not to substitute itself for Providence and thus destroy personal initiative and the sense of individual responsibility, factors of solid and enduring progress.

It goes without saying that any proposal or suggested agreement which would appear to us appropriate, just and recommendable will have to be submitted for the approval of Quebec's parliament.

To sum up, the Province of Quebec is desirous of co-operation, in a friendly way, towards the success of this Conference, while respecting the essential rights of one and all. It is her innermost conviction that she is rendering a notable service to the country at large and that she is echoing the sentiments of the Founding Fathers and of the most illustrious Canadians when she urges the safeguarding of responsible government and the integral respect of Canadian federalism.

HON. ROBERT L. STANFIELD (*Premier of Nova Scotia*): Mr. Prime Minister, ladies and gentlemen, first of all, sir, I would like to thank you for the very warm welcome that you extended to me this morning, and I would like to associate myself with the good wishes expressed to you by the Premiers of Ontario and Quebec. I should also like to associate myself and my colleagues with the expressions of thanks and good wishes to Mr. St. Laurent, and I join most sincerely in those expressions.

Now, as you know, sir, and as you said this morning, this is the first time I have had the privilege of attending a Federal-Provincial Conference; but I have read the proceedings of some of the previous conferences and I have been impressed by the frankness with which points of view have been presented and the mutual respect and restraint which have characterized all the discussions. I assure you, sir, that while presenting the points of view of the Province of Nova Scotia, the spirit of compromise which led the Province of Nova Scotia into Confederation will ever be present during our current discussions on this occasion.

In preparing for this conference I found myself, as probably everybody did, dealing with a mass of comparative statistics, all of which, of course, were necessary and informative. I suggest there is perhaps a danger inherent in the statistical approach to our financial problems, in that we may sometimes forget that we are dealing with the needs of people. We are dealing with the needs of all Canadian citizens wherever they may live in Canada, and the political or geographical boundaries should not result in the people of any part of Canada being deprived of a reasonable standard of essential services.

I intend to confine myself essentially to the main fiscal problems, although I will have one or two specific points on related matters to bring to the attention of the Conference.

The present tax-sharing plan has benefited the Province of Nova Scotia but it has not and it cannot place our province in a position where it can furnish to the people of Nova Scotia what you might call a national standard of service, and in that respect I must repeat what has been said here before, namely, that an equalization plan based upon the returns from income tax, corporation tax and succession duties, whatever standard rates may be adopted, completely disregards the fact that the tax returns from those sources, or the

tax returns from those sources plus the equalizing amount, furnishes but a portion of the revenue required for each province, and each province must raise the balance of its requirements from its own tax sources.

In the case of Nova Scotia, statutory subsidies, debt allowances and the equalization payment under the present formula represent approximately 30 per cent of our current budget. We must therefore obtain the balance from our own tax fields. I suggest that there is a close relationship between the tax yields from income tax, corporation tax and the tax yield from other sources. Taxing authorities must always consider ability to pay in fixing tax rates, and I suggest that that ability to pay is closely related to the level of income earned by individuals and corporations.

Can it be questioned that a province with a per capita income of \$1,500 is in a better position to raise taxes from local sources than a province with a per capita income of \$1,000? Can it be questioned that a province with a concentration of corporate enterprises is in a better position to raise taxes from the assessment of real and personal property than one which must depend to a large degree upon the assessment of personal property in the hands of individuals and the assessment of residential property?

I suggest to you, sir, and to your colleagues here, that the per capita deviation in each province from the national per capita yield from these three broad tax fields is a pretty good indicator of taxable capacity so far as it goes. The latest available figures applicable to the fiscal formula which is now in effect show that the taxable capacity of Nova Scotia as represented by the total yield of standard taxes per capita in these three broad tax fields in our province as compared with the national average is 13.46 to 30.70. I suggest that approximately the same figures indicate the taxable capacity of Nova Scotia as compared with the national average in the remaining tax fields. If our taxable capacity in Nova Scotia as compared with the national average is 13.46 to 30.70 and we are faced with the necessity of raising 70 per cent of our revenues from local sources, how can we ever hope to furnish our people with anything like a national standard of essential services without resorting to an abnormal burden of taxation?

The negotiations leading up to Confederation—and I have been sitting here this morning looking at the picture of the Fathers of Confederation—and subsequent experience demonstrate that any attempt to meet the needs of the various provinces based on a formula of universal application is doomed to failure. I suggest that no formula can properly compensate for the disparity in natural resources, concentration of industry and the distance from markets. I am convinced that no formula of general application can give a realistic recognition to the financial problems of the various Provinces of Canada.

I should like to quote from "Financing Canadian Federation" by A. Milton Moore and J. Harvey Perry:

"Our history seems to indicate that the phenomenon of the Provincial Governments sitting down with the Federal Government and agreeing upon solutions to the whole gamut of fiscal controversies of our time is as ingenuous as is the notion that it is possible to frame a set of fiscal arrangements that will be both permanent and satisfactory. Nor is it clear why we should try deliberately to restrict our range of future action by limiting ourselves to just one set of fiscal techniques. To draw a line and say that these responsibilities are provincial and those federal, and

that revenues will be divided in such and such a way, would simply be to hamper the solution of many problems. Sometimes unconditional grants, sometimes conditional grants, and sometimes federal assumption of formerly provincial functions—each may be the best solution in the particular circumstances to enable both levels of government to serve the public interest. To adopt a once-for-all division of responsibilities and revenue fields would be to court the risk of being unable to meet a particular problem or grievance of a particular region and thus be conducive to national disunity.”

May I say that—apart from any question of the adequacy or the inadequacy of the standard rates—the present tax-sharing arrangement recognizes the tax deficiencies of certain provinces in the three fields in which the arrangement is based, but it gives no recognition to the inability of certain provinces to raise sufficient revenues from its remaining sources of revenue in order for it to maintain, as I have said, a national standard of services, except to the extent that it uses the average of the two highest provinces rather than the national average in calculating the equalization payments.

I do not believe, sir, that the Provinces of Canada demand that the Federal Government shall give exactly similar treatment to all provinces. I believe—and we have every indication of it here—that the prosperous provinces in Canada are prepared to recognize that certain provinces require financial assistance so that something like a national standard of services may be maintained and available to all citizens of Canada. In fact, some of the gentlemen around this table are on record as favouring that sort of assistance to those provinces which, because of reasons beyond their control, are having difficulty in maintaining that standard of service. I believe I can properly say that the difficult financial position of some of the provinces has been caused by reasons that are beyond their control.

The Rowell-Sirois Commission found—and again I quote:

“The Canadian economy is made up of a number of diverse and highly specialized areas. Partly as a result of the specialized character of the resources and industries of the individual regions, and partly as a result of national policies, these regions are closely related and integrated and are, to an important extent, dependent on each other. But although these regions may be economically complementary, and the existence of each vital to the welfare of the others, it does not follow that the income resulting from their joint effort is evenly distributed. On the contrary, it is a distinguishing feature of the Canadian economy, which has particular significance for public finance, that a very large proportion of the surplus—and taxable—income of the country is concentrated in a few specially favoured areas.”

There are other quotations from the Rowell-Sirois Commission to the same effect. Here is another one referring specifically to Nova Scotia:

“Nova Scotia’s provincial income reflects the long struggle of the region with serious economic disabilities. The relatively low and variable cash proportion of the income, and the fact that an important amount of the surplus income and wealth is drained off to Central Canada impose limitations on the tax system and at the same time create special demands for expenditure.”

That was a pre-war Commission, which reported before the war. It is possible that the findings of that commission may be considered inappropriate today, but to test their application to conditions which now exist in Nova Scotia I compared the ordinary expenditures of provincial and municipal governments on a per capita basis for the fiscal years ended nearest to December 31, 1955, with the year 1937, and the position of Nova Scotia relative to the more prosperous provinces of Canada is little changed.

Our net debt charges excluding debt retirements are \$11.31 per capita, as compared with \$7.18 for all provinces. Our funded debt less sinking funds per capita is \$351.01, as compared with \$283.53 for all provinces. Our total direct debt less sinking funds per capita is \$371.10, as compared with \$321.19 for all provinces. And perhaps even more significant, our per capita expenditures on all essential services as compared with the average for all provinces are low.

Now, Mr. Chairman, I want to emphasize this. The Government of Nova Scotia is primarily concerned with ways and means whereby the people of Nova Scotia can share in the industrial growth and expansion of Canada. The Province of Nova Scotia is doing all within its power to improve the economy of the province. This, of course, is not a new effort. We have joined with New Brunswick, Prince Edward Island, and Newfoundland to form a Conference of Atlantic Premiers to deal with matters of mutual concern. We have held a number of meetings and have established a continuing committee as well as a number of other special committees to inquire into specific projects and problems.

We are in the process of establishing an Atlantic House in London with an Agent General to represent the trade interests of the four Atlantic Provinces. We have investigated and are investigating the possibility of jointly supporting certain social agencies and educational institutions in the region so as to improve the standards of services and avoid duplication of costs.

In our own province we have incorporated Industrial Estates Limited as an agency through which industry can be attracted to and developed in Nova Scotia and we have concluded an agreement with the company which intends to establish a large pulp and paper mill in eastern Nova Scotia. We have had a research foundation to advise the Government on scientific and technological methods affecting the utilization of our natural resources or the expansion or development of industry in the province. I mention these matters to you, sir, and our colleagues here simply to indicate that we are trying to do all we can in the Atlantic region to help ourselves. Corporations, different levels of government, individuals, unions and other bodies are supporting the work of the Atlantic Provinces Economic Council.

We are optimistic that all these efforts on our part will be productive but at best, however, these efforts cannot effect an immediate change in our position. Until such time as the economic life of the Province improves Nova Scotia—not as a suppliant but rather as a partner in the building of this nation must look to the Federal Government for assistance in maintaining a reasonable standard of services for its people. We are very pleased indeed to hear your remarks in that connection this morning, sir, because the personal income per capita for Nova Scotia for the year ending December 31, 1955 or thereabouts was \$1,000; for New Brunswick, \$923; for Prince Edward Island, \$788; for

Newfoundland, \$725; as compared with an average for Canada of \$1,350. Personal income per family for Nova Scotia at the same time was \$4,506; for New Brunswick, \$4,390; for Prince Edward Island, \$3,687; for Newfoundland, \$3,655 as compared with the average for Canada of \$5,848.

Surely, these figures indicate that the Provinces of the Atlantic Region can only establish and maintain essential services at a national level if we are prepared to impose an abnormal burden of taxation and we must always keep in mind, in this regard, that where the income base is low certain types of taxation may reduce income below a reasonable subsistence level. Therefore, sir, we appreciate very much that you have recognized the deficiency of the tax potential of the Maritime Provinces by the suggestion of willingness to consider the payment of a maritime adjustment grant. On behalf of the Province of Nova Scotia I urge the payment of a maritime adjustment grant. I do not wish to go into details at this time as to how such a grant should be calculated except to suggest that it should be based on deviation of personal income per family from the national average. The deviation would be multiplied by population and a fixed multiplier. This grant should give to each of the Maritime Provinces an amount equivalent to that which they would realize by the imposition of taxes at an average Canadian rate if the deficiency did not exist. We are not married or wedded to a particular formula and I am sure if the principle is accepted a formula satisfactory to all concerned could be worked out.

I have referred to my proposal as a maritime adjustment grant but let me hasten to add that we in Nova Scotia are not unmindful of the financial difficulties of our sister province, Newfoundland. I felt, however, that in view of the fact the report of the Royal Commission established to inquire into the position of Newfoundland relative to the Maritime Provinces is pending, it would be presumptuous for me to suggest a solution to Newfoundland's problems.

The Fathers of Confederation faced similar difficulties and by mutual understanding and a willingness to compromise were able to create this nation. Surely we today are no less able by mutual understanding and compromise to devise a solution to our financial difficulties.

I suggest that recognition of the financial difficulties of the Maritime Provinces and payment of a Maritime Adjustment Grant is especially necessary in view of the rising costs of education to which previous mention has been made and the requests from our municipalities for increased assistance. Another reason for the necessity of recognition by the Federal Government of the financial difficulty of the Maritime Provinces is the financial implications of the hospital insurance plan.

The problems of our municipalities and the matter of educational costs in our province are inter-related as I imagine they are generally. In 1956 a new method of financing our educational foundation program and the capital cost of schools came into effect. Under this system the distribution of the cost of education as between the province and the municipalities is based on fiscal need. Uniform assessment at a uniform rate is the basis on which costs are shared. Prior to 1956 the capital cost of schools was borne by the school district in our province and each raised the required revenue by district tax levies. As a result of this change it is difficult to use comparative statistics particularly with respect to capital costs; but let me say that between 1945 and 1956 municipal expenditures have increased by 165 per cent, tax levy by 146 per cent, net debenture

debt by 229 per cent and the cost of their money—that is the rate which they have to pay for money—by 50 per cent. These figures themselves may be meaningless if the tax fields have not been properly cultivated but as I pointed out previously the municipalities in Nova Scotia and especially the rural municipalities must depend largely on the assessment of personal property in the hands of individuals and assessment on residential property.

In some of our municipalities any attempt to raise assessments or rates will simply result in default because the cash income is so low that the increased taxes cannot be paid.

Now, the municipalities of our province are looking for assistance. Assistance has been given by the Province and it is the desire of the Province that assistance should be given in greater measure. The ability of the province to grant assistance of this nature, however, is limited by the amounts of money available to the Government and increasing demands, of course, in other fields. The services which must be provided by the Province and its municipalities are complementary, and the problem again resolves itself into one of finding sources of revenue sufficient to maintain the totality of those services at a reasonable level.

Again in connection with the hospital plan we in Nova Scotia are committed, of course, to participation in this plan, and our aim is to have the plan in effect at the earliest possible date which appears to us to be the 1st of January, 1959, in our circumstances. I believe that plan, when it is put into effect and operation, will be welcomed by the people of Canada but the financing of it may and I think does present a serious problem for all the provinces and particularly for what I might call the poorer provinces. We are here again faced with the question of the financial capacity of the people of each province to provide a national standard of services.

There is no need to go into a lot of figures, Mr. Chairman, but it is clear that no one knows precisely how much this plan is going to cost as the plan develops and unfolds. It is clear, according to our estimates, that while we start off with the cost of some \$6 million for the province, by 1965 it will amount approximately to some \$14 million. In addition to that there will have to be supplied in Nova Scotia by 1965 some 2,100 new hospital beds and 2,200 new nurses beds at a total capital cost of something like \$38 million.

As far as federal capital assistance is concerned it appears as though some \$3½ million to \$4 million of that \$38 million will come from the Federal Government.

Now, as I say, all the indications are that the cost of the plan will continue to rise and increase and once it is in effect there will be no turning back even if anyone wanted to turn back. The cost of the plan eventually or initially may be beyond the taxable capacity of some of the provinces and it may be necessary to raise the question of further assistance. I believe that the decision to exclude capital costs, administrative costs and the cost of caring for patients in tubercular and mental hospitals from the sharing provisions of the plan was not a wise one. There has been some suggestion of including tubercular and mental patients but there is nothing official about that.

To be very brief in summarizing our position with regard to this subject, we in Nova Scotia would like to see the plan extended somewhat, particularly with a view to including tubercular and mental patients and while we will be disappointed if there is not some extension we are prepared to be co-operative and to fit our views to some extent to the views of the other provinces represented here. That is all I wish to say concerning that matter at this point.

I do, however, wish to take just a few moments to refer to two particular problems which are proposed apart from the main issue here but about which we are concerned in Nova Scotia. Under the Tax Rental Agreements of 1952 you will recall that the Minister of Finance subject to certain calculations might pay to each province one-half of the income tax collected from corporations in each province—that is, corporations whose main business is the distribution or generation of electrical energy, gas or steam.

It will be recalled that the provision in the agreement was limited to the period from January 1, 1952 to December 31, 1956. There is no similar provision in the existing tax-sharing arrangement. I want to urge the Government of Canada to enact legislation which will provide for the payment to each of the provincial governments the total amount of such tax paid by that type of corporation in each province.

In the case of public utilities which are publicly owned no tax is payable. In the case of public utilities rendering essentially the same service but owned privately or by the public but not by governments the tax must be paid in the final analysis by the consumer. So we have a situation where one consumer must bear this tax while another does not. I suggest that this anomaly can be rectified by paying to the Provincial Governments the whole of the tax paid by the company and I further suggest that it should not be the policy of the Government of Canada to bring pressure—unintentional perhaps—upon the Governments of the Provinces to take over and publicly operate public utilities simply because of its taxing policy; that is the policy of compelling the private utilities and the consumers who are served by private utilities to pay income tax payable to Ottawa whereas those consumers who are served by publicly-owned services are not compelled to pay or make a contribution to Ottawa in the same regard.

Now, Mr. Chairman, there is just one other matter to which I wish to refer, and that is the useful co-operation between the Federal and Provincial Departments of Agriculture calculated to improve the agricultural economy of the province, but notwithstanding that co-operation I wish to refer to some of the findings and recommendations of the Royal Commission on Rural Credit appointed by the Government of the Province of Nova Scotia. The Commission found that, because of the withdrawal of private loan agencies from the field of mortgage lending on farm security in Nova Scotia, the need for assistance from government agencies has increased.

Short term credit is reasonably well met through such agencies as banks, credit unions, merchants, feed and supply companies. In the field of intermediate term credit, the Farm Improvement Loans Act appears to meet the need. The Commission found that the main problem of farm financing lies in the supplying of rural credit on a long-term basis.

Farmers in Nova Scotia needing long-term credit look primarily to the Canadian Farm Loan Board and the Nova Scotia Land Settlement Board. The Canadian Farm Loan Board grants loans on the security of mortgages mainly to established farmers, while the Nova Scotia Land Settlement Board deals with persons wishing to purchase and settle on farms. The volume of lending of the Canadian Farm Loan Board during the past several years has been consistently below that of the Nova Scotia Land Settlement Board.

The commission found that, because of restrictions imposed on the Canadian Farm Loan Board by the Canadian Farm Loan Act, especially with respect to the appraisal of farm properties, the Nova Scotia Land Settlement Board has made a greater impact on the agricultural industry of the province than the Canadian Farm Loan Board. This situation arises from the fact that many of the policies of the Canadian Farm Loan Board are suitable to farms of large acreage but are not suited to conditions in the Province of Nova Scotia, where farms are small in terms of improved land but possess such a high ratio of forest land to total farm land.

The Commission recommended the establishing of a joint Federal-Provincial Board, to serve as the sole government agency for the supplying of long-term credit to farmers in Nova Scotia. The necessary funds would be advanced to the joint board by both governments, and losses if any would be shared.

I believe that the Province through its agency, the Nova Scotia Land Settlement Board, has adopted a realistic approach to the appraisal of farm properties and has given due weight to the value of forest land as mortgage security. I suggest that the recommendations of the Royal Commission on Rural Credit should receive the most serious consideration and that the provisions on the Canadian Farm Loan Act and the policies of the Canadian Farm Loan Board as applied to the need for long-term farm credit in Nova Scotia should be re-examined and re-appraised by the federal authorities.

Finally, I wish to say that the recent announcement of the Prime Minister, that the Federal Government is willing to assist in the implementation of a program designed to assure an adequate supply of electric energy in the maritime region at reasonable cost has given us new hope that we may be able to attract new industries and overcome some of the difficulties that have so long beset our economy. The undertaking of the Federal Government to pay subventions on coal used in the Atlantic region for the generation of thermal power is welcomed by us, as it will be of great assistance to the coal mining industry of Nova Scotia which is so essential to the economy of the province.

Thank you, sir, on behalf of myself and my associates here, for your courtesy.

The CHAIRMAN: Gentlemen, we had originally intended to have the group photograph taken at 12.45, but I understand there are difficulties in the way, and that we might be better to postpone this until tomorrow at the same hour.

Also, in view of the fact that the customary hour of adjournment is 12.45, would you agree that it might be better that if instead of having Premier Flemming go ahead now and bifurcate his speech, that we should adjourn now, and, if this is convenient, that instead of adjourning until 2.30 as has been customary in the past, we might adjourn until 2.15, thereby losing no time, but not placing Premier Flemming in the unenviable position of having to speak by sections.

—The Conference adjourned until 2.15 p.m.

Monday, NOVEMBER 25, 1957.

AFTERNOON SESSION

The Conference resumed at 2.15 p.m., Rt. Hon. J. G. Diefenbaker, Prime Minister in the chair.

The CHAIRMAN: Gentlemen, I hope it is in order now to continue the representations of the different provinces, and with your leave I call on the Honourable Mr. Flemming, Premier of New Brunswick.

HON. HUGH J. FLEMMING (*Premier of New Brunswick*): Mr. Prime Minister, Federal Ministers, Premiers, officials, delegates, ladies and gentlemen:

I should like, Mr. Prime Minister, to associate myself and the New Brunswick delegation with the remarks that were made this morning by several speakers with respect to your predecessor, the Chairman of our last Conference. We from New Brunswick invariably met with courtesy and charm; and, while we would have liked to have had something more tangible and concrete to take home with us, nevertheless we appreciated the courtesy extended to us at all times.

At this time, Mr. Prime Minister, it is my privilege to express the appreciation of the Government of New Brunswick, as well as my own personal satisfaction, for this opportunity to meet the Prime Minister of Canada and the Premiers of the other provinces of our great country, in a free and frank discussion of the mutual problems around this council table.

Since the two levels of Government last convened, in March, 1956, we have witnessed—and I hope I had some part in them—significant changes in the political pattern of the nation, and these changes must of necessity have some influence upon the course of our deliberations.

It is an honour and pleasure, Mr. Prime Minister, on behalf of the Government and citizens of New Brunswick to greet you as the presiding officer of this gathering. I am sure, Sir, that the months since you assumed your high office are already inscribed in the history of our country as a period of great vision and great accomplishment. Your personal qualities of courage and resource—your broad knowledge of international affairs, as well as your deep concern for the problems of the ordinary citizen of Canada—are by now well known to your fellow countrymen, as well as to many in the Commonwealth and throughout the world.

It is also a great pleasure to greet Premier Stanfield, and to have his counsel and advice, I assure you, gentlemen, that we in the Atlantic Provinces have already had good cause to value and esteem it. I know that each and every one of you will come to know him, as I do, as a wise friend and as a great Canadian.

I would like to add a word of congratulation, Mr. Prime Minister, to your colleagues in the Government of Canada, who sit with you, at what might be spoken of as the head of the table. It is my opinion that they have indicated to their fellow citizens everywhere their energetic determination to serve Canada well and truly.

May I also call attention to the remarkable group of friends and advisors who are so important to the success and value of these Conferences. It is always a source of great pleasure to me, as well as most educational, to have

the opportunity to talk with the public servants who advise the Federal Government, as well as those who advise the Governments of the other provinces of our country. No nation on earth, in my opinion, is better served in this respect than is Canada by these dedicated men and women.

Mr. Prime Minister, I have a special responsibility at this time, to express the thanks of the people of New Brunswick for your recent announcement of federal assistance to develop and transmit electric power in Nova Scotia and New Brunswick.

Our Government has constantly emphasized the necessity of developing basic national economic policies which would permit provinces and regions to broaden and diversify their economies on their own account. The new policy of federal assistance for power development and transmission meets these requirements in generous measure by lowering the differential in the cost of electricity between these two provinces—our provinces, if you like—and the other sections of Canada. The improvement in our competitive position should go far to encourage new industrial development. There will be an inevitable strengthening of our regional economy which, in due course, will be reflected in over-all national well-being. It seems to us that such a method is the desirable way of strengthening our federal system, by making available to the provinces ways and means of working out their individual problems under conditions which will duly reward their initiative and preserve their self-respect.

It will be of interest to review some of the circumstances of the last Dominion-Provincial meetings, on October 23, 1955 and on March 9, 1956, which, in some degree, have led to the calling of the present Conference. And may I say, gentlemen, that if my remarks seem to be somewhat repetitious so far as the remarks of the Premier of Nova Scotia are concerned, it is because we are thinking along the same line; and I give you the comments, not for argument—because we listened to the Prime Minister's announcement this morning of policy—but by way of emphasis of the situation.

In those Conferences to which I have referred, the items for consideration were listed under several headings:

1. Fiscal relations
2. Continuing Committee
3. Public Investment and National Resources Development (under which we included the question of Federal financial assistance for the development of electric power)
4. Questions involved in the matter of National Health Insurance Program.

We presented the Conference at that time with detailed proposals for new fiscal arrangements, and placed special value and importance upon the necessity of adjustment grants to low income provinces in order to secure and to assure minimum adequate services to all. We also endorsed the institution of a continuing committee of officials which has, in fact, been functioning since the Conference adjourned, with great benefit to the relationship between the two levels of government.

The merit of a national policy for public investment and national resources development has received considerable recognition since the closing of the previous Conferences. This has been expressed in the recommendations of the Royal Commission on Canada's Economic Prospects.

A major constructive step towards the development of a broad program of capital assistance to the region has been taken in the most generous provision for power development which was announced by you, Sir, on November 14, and to which I have already referred.

Mr. Prime Minister and gentlemen, in referring to our immediate year-to-year budgeting problems of the near future, I would wish to call the attention of the Conference to the situation which we in New Brunswick face.

It is the view of our Government that the three Maritime Provinces have been dealt with, under the tax rental agreements, without proper reference to their special immediate fiscal problems. While providing welcome added revenue, the agreements have not been designed to reduce and to progressively eliminate the income disparity between the region and the rest of Canada, which is at the root of our fiscal difficulties. We can never agree that any Dominion-Provincial agreement is adequate unless our special fiscal needs are recognized and provided for.

Every Canadian who has given thought to the matter, subscribes, we believe, to the principle that each Canadian citizen is entitled to a certain reasonable minimum of services without having to bear a level of taxation more onerous than the Canadian average.

Owing to the differences in wealth and development, and therefore in tax-paying ability, all provinces are not equally able to give their citizens such a reasonable minimum level of services. Yet it is upon the provinces and their municipalities that the responsibility rests of providing those services which affect most directly the daily lives of their citizens: Education, roads and bridges, health services, fire and police protection, hospitals, poor relief, etcetera.

In this connection I should stress particularly the needs of municipalities. The New Brunswick delegation is accompanied by three representatives of the municipalities, one representing the rural municipalities, Mr. Chaisson, and one representing the towns, Mr. Allen, and one representing the cities, Mr. Mitchell.

Of the services referred to above, many are provided by our municipalities, and of these, education is by far the most costly. While the Provincial Government gives generous money grants, the municipalities bear the principal burden, which may well increase rather rapidly in the years immediately ahead, as a result of the impact of the evidence of other countries' impressive progress in technical development.

With their other commitments and constantly rising costs, municipalities are faced with a very real and critical problem. The provisions of the Federal-Provincial Tax Sharing Arrangement Act covering the five years beginning the 1st of April, 1957, are very helpful as far as they go. Under this Act the provinces will, in effect, derive equal per capita revenues from certain tax fields plus equalization payments. An equal per capita payment, however, does not go far enough in that it does not take into consideration the plight of those provinces whose revenue-raising capacity in the remaining tax fields falls far below the Canadian average, except by the imposition of taxation more burdensome than that obtaining elsewhere.

You will recall, Sir, that the Duncan and White Commissions in 1927 and 1935 respectively recommended special annual subsidies to the Maritime Provinces; the basis was fiscal need. Since 1935 the functions of provincial and municipal governments have increased greatly both in scope and cost but these fiscal need subsidies have remained fixed at the same figures as were

set in 1935. Our relative position among the provinces, measured by per capita income, has remained almost constant. While fiscal need was recognized by both these Commissions, no attempt has been made since 1935 to relate the amount of fiscal need subsidies paid to the Maritime Provinces to the current scope and cost of provincial and municipal services nor to the reduced purchasing power of the dollar.

You will also recall, Sir, that the Royal Commission on Dominion-Provincial Relations, the so-called Rowell-Sirois Commission, in its report dated May 3, 1940, recommended a system of national adjustment grants. These also were based on fiscal need and were designed to enable the provinces to provide services equal to the national average without imposing excessive taxation.

In commenting on its recommendations the Commission expressed the view that it was, and I quote the words of the Commission: "necessary to discard the assumption that equal per capita payments would provide for real equality of fiscal positions."

So, as we have pointed out at previous conferences, the people of New Brunswick bear the heaviest burden of taxation of all provinces in those fields of revenue not covered in the tax rental agreements, measured both by rates of tax imposed and by the proportion of personal income paid to provincial and municipal authorities. In spite of this, the level of our services is substantially below the Canadian average.

These statements can be readily substantiated by statistical and other data. I do not believe it necessary nor advisable for me at this time to set forth a mass of such statistics, but I would like to give certain figures on the burden of taxation in the provinces. For the three years 1953-1955, in the various provinces, provincial and municipal revenues from local sources bore the following percentage relationships to total personal income.

All of Canada	8.14
British Columbia	8.56
Alberta	9.85
Saskatchewan	10.79
Manitoba	7.99
Ontario	7.35
Québec	8.17
New Brunswick	11.10
Nova Scotia	8.21
Prince Edward Island	7.32
Newfoundland	6.25

This table shows clearly that the burden of taxation in New Brunswick is very heavy, indeed the heaviest of any province in Canada. It took 36 per cent more of the personal income of our people to provide the revenues necessary to carry out their responsibilities than it did for Canada as a whole.

Moreover, this additional burden of taxation is paid out of a personal income which, on a per capita basis, is only two-thirds of the Canadian average.

If New Brunswick is to provide a reasonable level of services to its citizens without imposing taxation substantially heavier than the Canadian average there is no alternative but an adjustment grant to supplement any per capita payment of general application.

We believe that we in New Brunswick have a sound claim in equity for such consideration over and above any general payment on a per capita basis.

At the October meeting in 1955 I suggested a possible formula. However, this was only by way of illustration, and as stated at that time we were not wedded to any particular formula. We do believe, however, that a special arrangement based on income disparity would be most equitable. Under such an arrangement the amount of any grant would be reduced as the maritime economy improved as a result of assistance with long-term development projects such as the aid for the development of electric power, which has brought so much encouragement to our people. We need special provision over and above any general payment on a per capita basis, as an adjustment for lack of taxable capacity in non-rented tax fields to meet most pressing needs in the years immediately ahead to maintain and improve our services in education, transportation, public health and to participate in the programmes of social welfare and hospital insurance.

Mr. Prime Minister, I respectfully request immediate and serious consideration of such special provision for New Brunswick and the other Maritime Provinces.

You will note that in discussing the application of special adjustment grants I have not included the fiscal situation of Newfoundland. My reason for omitting to do so is obvious, since the financial position of that province is now the subject of inquiry by a Royal Commission.

Today, gentlemen, there is a new progressive spirit abroad in the Atlantic Provinces due, in a very large measure, to the assurance of most generous assistance to be extended by the Federal Government for the development of electric power. We are determined to take every possible advantage of the great new opportunity which is open to us and we want to plan wisely now so that we may build securely in the future.

Looking back over the past, one of the disturbing facts about the Atlantic Provinces has been the very slow development of manufacturing industries. According to the annual reports on regional investment which are published by the Department of Trade and Commerce, in the period from 1949 to the present, only 4 per cent of the total amount invested in manufacturing industries in Canada was invested in the Atlantic Provinces, despite the fact that our population has been about 11 per cent of that of Canada as a whole. Now, of course, we consider this to be a most unsatisfactory state of affairs and we are most anxious to ascertain, in detail, the things which can be done to bring about a change in this situation.

But, as I look at this problem, it occurs to me that the whole matter of industrial location is one which needs to be examined on a national scale in the light of the internal and, indeed, the external problems which confront Canada today.

I would request that the Government of Canada consider setting up a committee of senior government officials, similar to the committee which is now examining the transportation problem of the Atlantic Region, to study this problem in close consultation with officials of provincial governments and with, of course, representatives of private business.

As I see it, the purpose of this committee would be to investigate the location of industry within Canada with the object of obtaining a more thorough knowledge of the problems involved in regional development and an understanding of what measures to influence location it might be necessary for governments to take both in the interests of national security and to ensure balanced economic growth in the country as a whole.

As regards monetary policy, it is most reassuring that there appears to be definite indications of a trend towards the easing of credit. This is what the situation in the Atlantic Provinces today requires and, certainly, the policy of stringent credit restriction with consequent difficulty in securing loans has been unsuited to the economic conditions prevailing in our region. I appreciate, full well, the dangers of inflation and the complex problems involved in the application of monetary policy, but I believe also that we must find some better way of dealing with this problem than by applying rigid national policies which check economic growth in the very areas of the nation which require it the most. Surely, we can develop national policies which are flexible enough to take into account, to some degree, the economic differences between the various regions which make up the Canadian nation.

The monetary policy, which has now been in effect for over two years, has had considerable influence in slowing up the rate of growth of the New Brunswick economy. At the present time new employment opportunities have not appeared at a rate sufficient to absorb the growth in our labour force. The effect of this, coupled with the fact that the winter months invariably bring about a rise in seasonal unemployment, indicates that the utilization of our available labour personnel over the next six months, may not attain a satisfactory level.

The Government of New Brunswick is determined to make every possible effort to maintain a high level of activity. I believe and subscribe to the general idea that the present levelling off or even dip in industrial activity is temporary and therefore should not be taken as indicating a situation of panic, but should be dealt with the same as one would deal with any other problem of the same magnitude. I am quite satisfied that we in Canada can deal with the temporary problem—and I do believe it is temporary—in a way that will be satisfactory to all concerned.

In May 1955, we appointed a Construction Project Timing Committee to deal with the problem of seasonal unemployment. We were one of the first provinces in Canada to set up a committee of this nature and it has done excellent work in encouraging the provision of all possible employment during the winter season, with some regard for the economics of every situation.

However, maintaining a high level of employment requires co-operation between all levels of Government. At the Dominion-Provincial Conference of October, 1955, I pointed out that provincial Governments and municipalities could only expand investment to the greatest possible extent during a period of a decline in economic activity, if financial assistance were forthcoming from the Federal Government. At that time, I asked the Government to make provision in this regard but no action was taken.

This matter has now been under discussion since the end of World War II and I submit that it is time we developed a policy of this nature which could be utilized when necessary. If an agreement were reached on this matter, there is a great range of projects which could be undertaken to maintain the level of employment. Indeed, in this great nation of ours there is no shortage of worth-while projects which would be very practical and most desirable if the funds were available.

In a market economy, there are bound to be ebbs and flows in the tide of economic activity. It is our task to ensure that the effects of these changes on human welfare and economic growth are kept to an absolute minimum.

I should like to say, Mr. Prime Minister, that the interest the Federal Government is showing in the problem of broadening and diversifying Canada's international trade has the enthusiastic support of the people of New Brunswick. World trade, primarily trade with the United Kingdom, has always been of great importance to the Province's industries, particularly our forest industries. In addition, the Port of Saint John is one of the nation's major winter ports and possesses one of the largest dry-docks in the world. Thus, a more broadly based international trade would be of the greatest importance to New Brunswick's largest city.

It is my hope that, while the whole matter of Canada's external trading relationships is under review, the advantages of the more intensive utilization of the ports of the Atlantic Region would be given consideration. Indeed, I believe the methods should be found to ensure that a much greater share of the Canadian export trade is shipped through Canadian ports. If the Government of Canada would take this matter under consideration, I can assure you that the Government of New Brunswick will co-operate in every way possible.

Another matter, relating to transportation, is the Chignecto Canal. We were all extremely pleased to learn that this project is to be given most careful study by the committee which is considering the transportation problem of the Atlantic Region. I am confident that we are entering a new period of economic development along the whole of the Canadian Atlantic seacoast from Ungava, in the North, to the Bay of Passamaquoddy, in the South. Improved facilities for coastal shipping have a great part to play in this development.

Mr. Prime Minister, in closing my remarks at the Plenary Session of the Conference of October 1955, I made the following statement in regard to the situation of New Brunswick at that time. I quote page 56 of the proceedings of that Conference when I said:

"everything that government and people can do is being done and will continue to be done; yet, our progress will be slow without assistance—our full development can only come about with financial help from an interested outside source. This interested source should be the Federal Government."

You, Mr. Prime Minister, speaking on behalf of the Government of Canada on November 14th last, gave concrete indication that generous financial assistance from that "interested outside source" would be made available.

Speaking now, on behalf of the Government and the people of New Brunswick, I state our determination to make the wisest and fullest use of the great opportunities which Federal assistance have accelerated and enhanced in our Province. We believe that the way has been opened for us to reach new levels of prosperity and progress.

HON. DOUGLAS CAMPBELL (*Premier of Manitoba*): Mr. Prime Minister, before proceeding with the presentation of the formal brief of the Province of Manitoba, I would like to draw the attention of the Conference to a matter of great interprovincial and even national importance. I refer to something that took place in the Province of Alberta on Saturday evening last. That modesty for which all people of our profession are so famous prevents me from dwelling at all on the subject, but I think you will allow me to offer my condolences for what happened a couple of days ago to my friend the Premier of Alberta to

express my condolences in advance to the Premier of Ontario, and to say with regret that on this occasion it appears that the Great Province of Quebec is entitled to neither congratulations nor condolences.

Mr. Prime Minister and Gentlemen: The Government of Manitoba has been looking forward to this Conference on Dominion-Provincial fiscal relations with a great deal of interest and, I might add, a great deal of optimism. One of the reasons for our optimism, Mr. Prime Minister, is the fact that during the last several months you and your colleagues have on a number of occasions expressed the conviction that a more satisfactory allocation of tax resources to the provinces (and their municipalities) is urgently necessary. In view of these statements we are confident that our meetings will result in changes in the tax-sharing arrangements which will provide to all the provinces and their municipalities substantial additional benefits.

We in Manitoba agree entirely with the Federal Government's suggestion that this Conference should centre on our fiscal relations. The Prime Minister's letter of September 16th made it quite clear to us that the Conference in November was to discuss and decide the tax-sharing question. We were somewhat concerned, however—and I wrote the Prime Minister expressing this concern—that his second letter seemed to indicate that our discussions might be exploratory in nature rather than conclusive, and that "other current issues which have an important bearing on our fiscal relations" would be discussed as well.

My colleagues and I, of course, are very glad to have an opportunity to present our views on these "other current issues". The difficulties being experienced by our farming communities, the problems of resources and industrial development, the proposed national hospital insurance plan, certain welfare and education questions—all these deserve our very serious consideration. However, it would be most undesirable in our opinion if the consideration of these issues were to obscure, or delay in any way, a decision on the fiscal relations question we were originally called together to discuss.

To plan their budgets for next year, Mr. Prime Minister—and these should be in process now—the provinces must know where they stand on the tax arrangements. To know where they stand, the provinces must know where the Federal Government stands. Our main concern in this meeting, therefore, must be to reach agreement on amendments to the present tax-sharing arrangements which will guarantee to the provinces and their municipalities revenues sufficient to meet their financial requirements.

My colleagues and I are prepared to stay as long as is necessary to enable full consideration to be given to this matter and a satisfactory decision reached. With this in mind, Mr. Prime Minister, I shall be glad to comply with your request and briefly outline to this Conference our views on some other issues of current concern.

Before doing so, however, I should like to express our regret that the Federal Government did not consider it desirable to convene this meeting as a Dominion-Provincial-Municipal Conference. We have, however, included in our delegation, as at the 1950 and 1955 Conferences, representatives of the Union of Manitoba Municipalities and the Manitoba Urban Association, in order that the municipalities of Manitoba will have some first-hand knowledge of the proceedings and discussions at this meeting.

All of us are aware that the problems confronting municipal governments are complex and involved, and urgently require solution. All across Canada municipalities are finding their tax revenues inadequate for the rapidly mounting costs of current operations, and moneys for essential capital projects too expensive, or even impossible, to obtain on their own credit in the public market. In the last four years, municipal expenditures in Canada have increased by more than 42 per cent. In the same period provincial expenditures have risen by 40 percent and federal expenditures by 12 per cent. Obviously the costs of financing the traditional local government responsibilities (such as education, health, welfare, road and utility services) have grown far more rapidly than federal expenditures.

Pending any fundamental change in the revenues and responsibilities allocated to the various spheres of government, Manitoba is doing as much as it can, in the light of its own financial requirements, to help the municipalities with their financial problems. In the current year our Province is making available to local governments, assistance in one form or another equal to 95 per cent of the amount Manitoba is receiving under the federal-provincial tax arrangements. In addition, under our capital aid programs, we are assisting our municipalities to secure funds for school construction and sewer and water system installation at a rate only slightly in excess of that at which the Province itself can borrow in the public market.

There are ways in which the Federal Government could provide assistance to local government in Canada. For example, municipalities could be exempted from the payment of federal excise and sales taxes. In the field of capital assistance, and here I am repeating a recommendation which Manitoba has made several times before, the Federal Government could reactivate and broaden the provisions of the presently dormant Municipal Improvements Assistance Act, or adopt some other means to make social capital available to municipalities on a far less costly basis than is currently possible. Failing any other alternative, the Federal Government could exempt the bonds of municipal, as well as provincial, governments from federal taxation. This exemption policy has been advantageously adopted in the United States and has made it possible for American state and municipal governments to borrow at half the cost of their Canadian counterparts. In addition, a scheme of direct grants could also be considered. A precedent for such a policy has already been established in the federal-municipal co-operative slum clearance programme. Any or all of these measures would provide some relief to our hard-pressed municipalities.

However, without any generally accepted fundamental change in our concepts of which government should perform which task, we sincerely believe that the solution to the municipal problem lies in making sufficient revenues available to the provinces to enable them to assist their municipalities adequately. I know that as our revenues under the tax arrangements increase we intend to continue to share generously the benefits of the increase with our local governments.

We can, however, increase our financial assistance to municipalities only if a greater share of the tax resources available to government in Canada is allocated to us. Other provinces, I am sure, are in a similar position.

Thus it is clear that municipal governments in Canada have a substantial interest in the tax-sharing discussions. It is our hope, Mr. Prime Minister, that the next time we have fiscal problems to settle, the Federal Government will see fit to invite representatives of the municipalities to play their part in arriving at a solution agreeable to all spheres of government.

I should now like to deal with some of the other pressing issues I mentioned previously:

Agriculture:

Agriculture in Western Canada today is a most serious situation—a situation that should be of major concern not only to the Prairie Provinces but to the nation as a whole. Although the economy generally has been reasonably buoyant and has continued to follow a long-term upward trend, the experience of the farm community has been directly the reverse.

While the retail prices paid by consumers for food products have been increasing and the volume of production has been well maintained, the actual returns to the primary producer have been sharply declining. According to the Dominion Bureau of Statistics, prices received by the farmer have dropped 23 per cent in the last six years. In that same period, however, costs of farm operation have jumped by 10 per cent.

The cost-price squeeze in which agriculture finds itself is perhaps not peculiar to Canada. In other countries, however, producers are protected against these difficulties by extensive government price supports. Canada should, we believe, review its present policies in view of their inadequacy under current market conditions, and establish a more comprehensive price support program. A full scale study should be made of the possibility of introducing a deficiency payment plan, and of implementing a two-price system for Prairie wheat—both of which would help to improve farm income.

In addition, the Federal Government must find ways and means to relieve the grain surplus situation and increase wheat exports. Serious consideration should be given to the question of adopting the free trade area advocated by Great Britain only a few months ago. It was a matter of considerable regret to our Government that you, Mr. Prime Minister, and your colleagues gave this imaginative proposal such a lukewarm reception. In our opinion, at the current GATT Conference, Canada should certainly be pressing for a reduction of the tariffs, subsidies and import quotas that now so severely restrict the world's wheat trade. Every possible means of promoting increased movements of Canadian wheat must be investigated. As long as our present surplus of grain remains and operating costs continue to rise, the economic position of the Western Canadian farm family will further deteriorate.

Difficulties in agriculture are quickly reflected in every other sector of the economy. Municipal taxes fall in arrears, provincial receipts decline. Governments, faced with the increased costs that are inevitable in any recessive period, have lower revenues to support them. Strengthening agriculture, therefore, in the long run would assist *all* parts of the economy, and would contribute to substantially more stable municipal and provincial government finances.

The agricultural situation in Manitoba was investigated earlier this year by the Select Standing Committee of the Legislature on Agriculture and Immigration. The majority of its recommendations have already been brought to

the attention of the Federal Government and suggestions were made by our Government as to the action that might be taken to implement them. Specifically we have requested the institution of the two-price system for wheat, an extension of The Prairie Farm Assistance Act, federal support of a crop insurance scheme, and a liberalization...

That is a good word! (Laughter). ...of the application of the Canadian Farm Loans Act. We believe as well that a broader and more effective programme of federal assistance for land use projects, including water control, storage, conservation and use should be adopted. We think it would be worthwhile to have copies of the Committee's recommendations available to the Conference, and are, therefore, formally filing them as an appendix to be included with the Manitoba statement when the proceedings of this Conference are printed. (Appendix "C")

Resource and Northern Developments

In the Speech from the Throne earlier this year, the Federal Government expressed the conviction that

"...a national development policy carried out in co-operation with the provinces, and in the territories, is needed to enable all regions of Canada to share in the benefits to be realized in developing the resources of this great nation..."

As a first step in this direction, we understand, it is proposed to bring within the scope of this policy a number of electric power projects in the Maritime Provinces, the Columbia River development in British Columbia and the South Saskatchewan dam. Manitoba fully endorses the desirability of a sound national development policy, provided it is equally applicable to all parts of our country, and recommends to your Government, Mr. Prime Minister, a project which we think is more national in scope than other proposals thus far publicly advanced.

In the development of our country we Canadians have always had to contend with the problems imposed by our vast distances and sparse population. Almost all of our truly national development policies have been designed to overcome these handicaps. It was only with governmental encouragement and assistance that Canada was able to develop through the Canadian Pacific and Canadian National Railways a transcontinental railway system; through T.C.A.—a national air line; and through the C.B.C.—a national broadcasting system. The Trans-Canada Highway, the St. Lawrence Seaway and the Trans-Canada Gas Pipeline are other more recent examples of development policies designed to link up and knit together the widely separated parts of our nation.

Many of these developments might have come in time without governmental assistance for the projects themselves were to become in most instances economically sound. By fostering their earlier development, however, our governments have been able to hasten the growth of the entire Canadian economy, and thus place these projects in a position where they were able to pay their own way much sooner than would otherwise have been the case.

One important remaining area where such a national development policy could be applied is in the electrical power field. In the entire southern half of our country a rapid growth in power requirements has almost exhausted nearby

sources of hydro-electric power and is forcing many areas to consider a much greater use of thermal power. Yet the northern half of Canada still has very substantial hydro-electric power potentials. One has only to mention Mica Creek, Frobisher and the Rocky Mountain Trench in British Columbia, the Saskatchewan Rivers in Alberta and Saskatchewan, the Nelson and Churchill Rivers in Manitoba, the numerous streams running into Hudson's Bay in Ontario and Quebec, and the Hamilton River in Labrador, to emphasize the truth of this statement.

At the present time these power sources are not being developed because they are so far from our centres of population. Studies by Manitoba's own experts, however, indicate that if substantial blocks of the power available on the Nelson could be brought to southern Manitoba, even the costly transmission facilities would eventually be highly economic. These studies show that a 75 per cent load would enable this northern power to compete with alternative sources.

In the ten to fifteen years needed to build the load up to this level, however, the carrying charges on these transmission lines would be so heavy that unless substantial government help were forthcoming, our utilities could not afford to finance them and would instead be forced to turn to thermal power sources. Moreover, as additional thermal stations are constructed, their very existence might serve to delay the development of these northern power resources indefinitely.

We suggest, Mr. Prime Minister, that a sound development policy in this field would be one in which your Government would undertake to construct, in areas where they would become economic, long distance electric power transmission lines over which power could be transmitted on a toll basis—the toll to be set at a level which would cover interest and carrying charges once the line was being used at 75 per cent of capacity. In the meantime, during the period of demand build-up, the Federal Government would meet these charges. If such a proposal were implemented, it is possible to visualize a vast electric power grid which would eventually be inter-connected from the Atlantic to the Pacific.

Such a policy would have many advantages. The construction of these transmission facilities, by making possible the earlier development of the power resources in the North would give a sharp stimulus to the development of Northern Canada. It would hasten the utilization of one of our remaining undeveloped natural resources, a resource which is completely renewable and now simply runs to waste. With the Federal Government's role restricted to the ownership of the transmission facilities, the decision as to whether private or public interests should generate and distribute the power could be left in provincial hands. By helping to promote uniform standards of transmission, this policy would ultimately facilitate the inter-connection of our many Canadian power systems.

Our experts in this field have suggested that such a scheme might well involve the construction at different points across Canada of 3,000 to 5,000 miles of north to south transmission line at a cost ranging from \$500 million to \$750 million. Construction over a period of ten years would involve an expenditure of from \$50 million to \$75 million a year. We believe this proposal to be so important that we intend to send immediately a copy of my remarks on this subject to Mr. Borden, the Chairman of the Royal Commission recently appointed to inquire into the power field.

A number of these northern power sites involve very large expenditures in the construction of dams and other facilities, and consideration should be given to providing federal assistance for these very costly projects during the early load-building period. In this connection Manitoba has noted with interest the recent announcement concerning federal aid to the Beechwood project in New Brunswick, the South Saskatchewan dam in Saskatchewan and also the statement of government policy regarding the Mica Creek project in British Columbia. We assume that similar federal assistance will be available for projects under way or soon to be undertaken in Manitoba.

While, as sources of power, Canada's river systems can be extremely beneficial, they can also in time of flood be extremely destructive. The people of Manitoba are in a peculiarly vulnerable position in this respect. The rivers that drain through Manitoba into Hudson's Bay carry water from four Canadian provinces and four American states. In recent years there have been a number of serious floods in farming communities along the Assiniboine River and you will all, I am sure, recall the extremely destructive flood on the Red River in 1950.

The Federal Government now has on its statute books an Act entitled "The Canada Water Conservation Assistance Act" which provides for federal assistance on projects designed to conserve or control water resources, to a maximum of $37\frac{1}{2}$ per cent of their cost. It is our understanding that this legislation was designed primarily to assist in river control schemes where the rivers in question lie almost entirely within one province, such as is true of the Thames and Grand Rivers in Ontario. It could scarcely be expected to apply on the same basis to rivers that drain several provinces and states as do the Red and Assiniboine Rivers in Manitoba. Since federal interest in this problem justified a contribution equal to $37\frac{1}{2}$ per cent of the cost of projects on rivers flowing entirely within the area of a single province, we believe the Federal Government should be prepared to make a much more generous contribution for projects on rivers that drain vast areas outside the boundaries of a single province. In the case of the Red River, for example, approximately 80 per cent of the flood waters on that river originate in territories outside Manitoba.

This question is of particular interest to our Government at the present time because we currently have a Royal Commission inquiring into the economic feasibility of various projects designed to control flooding in the Red and Assiniboine River basins. Some of the projects under consideration are very large, and, while we will not know until the Commission reports just what size or type of control program is economically justified, we already know that some of the engineering proposals being studied call for expenditures which in terms of today's cost could run as high as \$100 million. Without much more generous assistance from the Federal Government than that now available under the Canada Water Conservation Assistance Act, the implementation of such a major flood control proposal would impose an extremely heavy, if not impossible, burden upon the people of Manitoba. Our Government urges you therefore, Mr. Prime Minister, to develop a policy applicable to this situation, which will be available to all provinces which find themselves faced with similar problems. In this connection it may be relevant to point out that in the United States the Federal Government pays the entire cost of constructing flood control projects, leaving to municipal governments only the cost of providing the required right-of-way.

In addition to the problems of flood control just mentioned, we in Manitoba are also faced with the necessity of constructing water conservation works in the form of run-off storage dams in the lower Red River Valley district—a district in which there is currently a shortage of water for agricultural, industrial, and domestic use. The Federal Government has in the past assisted in the financing of works of these kinds under The Prairie Farm Rehabilitation Act and will, we hope, continue to do so. Our recommendations in this matter have already gone forward to the Minister of Agriculture. We think that projects such as this could well be included as part of the Federal Government's national development policy.

Another aspect of that policy should be a plan providing for more adequate and less restricted federal assistance towards the costs of constructing roads into mining, forest, and other resource development areas. Measures to implement such a program are, I feel sure, already being planned in keeping with the undertaking given at Flin Flon, Manitoba, earlier this year in which you, Mr. Prime Minister, are reported to have stated that your government would embark on a vigorous construction program to push new highways, access roads and railways into the North to open the country to further development by private enterprise.

Development in the northern part of the country brings with it many problems—among them being the provision of municipal-type services. We believe that where communities are established in the sparsely settled northern areas, primarily to serve national enterprises, the Federal Government should assume an appropriate share of the cost of the necessary local services. We have in mind particularly at the moment the power, sewer, and water utility problems of the Port of Churchill and Cranberry Portage, as well as the costs of education, health and welfare services in such communities.

Industrial Development:

A national resource development policy is not only desirable but essential. It is equally desirable and essential, if we are to have a truly sound and well-balanced national economy, that the Federal Government adopt policies designed to promote the development of secondary industry in the presently less highly industrialized provinces of Canada. At the same time, the scope of activities of the Industrial Development Bank should be broadened to enable the bank to assist service industries such as retail stores, hotels, and other tourist facilities. So important do we believe these matters to be, Mr. Prime Minister, that we urge that special consideration be given to ways in which the national government can aid materially in encouraging the development of industry throughout all parts of all the provinces.

We are convinced that part and parcel of the Federal Government's policies to encourage industrial development should be those aimed at ensuring the provision of adequate transportation services and facilities at the minimum possible cost to the producer. In our opinion, our inter-provincial and international road system should be expanded, and this expansion financed on a federal-provincial basis. What appears to be needed is a permanent federal-provincial highway development program, much broader in scope than the present Trans-Canada Highway Agreement. Freight rates should be maintained at a level that will not make the costs of rail transport prohibitive to a western manufacturer or producer. Adequate terminal facilities should be provided at the Lakehead and

available immediately upon the completion of the St. Lawrence Seaway. Air transportation to and from the west should be improved by providing increased competitive facilities and by permitting international flights to service Winnipeg and Manitoba directly.

Manitoba believes, Mr. Prime Minister, that measures such as these are vital to the diversification and strengthening of our western economy.

National Hospital Insurance Plan:

The views of our Government on the proposed national hospital insurance plan, Mr. Prime Minister, have already been communicated to you. In brief, we believe that if the present plan is to be sound and workable and fair, it must be amended to permit the inclusion as shareable costs of:

- (a) the cost of providing care in mental hospitals, tuberculosis sanatoria and nursing homes;
- (b) interest and depreciation charges on buildings, and
- (c) the costs of administration.

Under the present legislation these costs cannot now be included.

Furthermore, we believe that the hospital insurance plan should not be used as a means of transferring to the Provinces a portion of the costs of hospital care of Treaty Indians, Eskimos, the dependents of recipients of War Veterans' Allowance and sick mariners, which are now borne fully by the Federal Government. The inclusion of Treaty Indians is of particular importance to Manitoba, and the other western provinces as well, as these Indians represent a considerably higher proportion of our population than is the case elsewhere in Canada.

Our position on these matters has remained unaltered since the hospital insurance plan first began to take definite form.

Statements by you and your colleagues from time to time, Mr. Prime Minister, indicate clearly that you are in agreement to a considerable extent with our views, and there would not appear to be any need for me to develop them any further at this time. My colleague, the Minister of Health and Public Welfare, has come prepared to deal with these matters fully in the special hospital insurance discussion which we trust will be held immediately after this Conference.

I would like to emphasize, however, the need for an immediate statement of federal policy on these matters, confirming the views which you, Mr. Prime Minister, and your colleagues have already expressed. At the moment our hands are tied. Until we know what action the Federal Government proposes to take on these questions we cannot further develop our plans with any degree of certainty.

Implementing the hospital insurance plan in Manitoba will involve a net local cost of millions of dollars per year. If the plan is to be put into effect on January 1, 1959—the generally accepted target date—our budget for the 1958-59 fiscal year will have to be tailored accordingly. Financing arrangements have to be made. Administrative arrangements have to be made. Quick action by your government, Mr. Prime Minister, is vital.

Welfare:

Turning to the field of welfare we in Manitoba, as I am sure is the case throughout the nation, are concerned with the apparent rapid increase in unemployment. We know that the Federal Government will be giving serious

consideration to measures to correct this very undesirable situation and you, Mr. Prime Minister, may rest assured that Manitoba will be anxious to co-operate with you in all possible ways. We would like to draw to your attention the fact that a commitment was given by the previous Federal Government that when the unemployment figures reached 2 per cent of the population the present unemployment assistance arrangements would be reviewed with the provinces. There is reason to believe that this condition may arise shortly.

The present Unemployment Assistance Agreement, as Manitoba's representatives forecast at the time of negotiation, has proved unsatisfactory in several respects. Our Minister has been in touch with the federal Minister on several points remaining at issue between us, and only yesterday, on our arrival in Ottawa, received notification from the Minister of National Health and Welfare that these representations had been rejected and indicating quite clearly that redress could be secured only by carrying our case to the Exchequer Court.

The Agreement is unnecessarily complicated and expensive to administer. The complicated assistance formula, with its inclusions and exclusions, its formula of .45 per cent of populations, its use of annual population estimates, and its references to mothers' allowance cases whose costs are in no way shared by Canada, has produced administrative problems of the most difficult order, and a need for completely new administrative machinery the cost of which must be borne entirely by the Province and the municipalities.

Moreover, we believe that the Agreement is discriminatory as between provinces. It allows certain cases to be included in the claims of one province and excludes exactly the same type of case from the claims of another province, simply because of variations existing in their legislative provisions at the time the Agreement was signed. For example, families of dependent disabled men may be included in the claims of some provinces because these cases are municipal relief responsibilities in those provinces. The same kinds of cases may not, however, be included in Manitoba's claims because they are receiving payments from our provincial mothers' allowance appropriation.

Our Government still maintains that, as the Rowell-Sirois Commission recommended, the costs for unemployment relief should be a 100 per cent federal responsibility. In the Unemployment Assistance Agreement, unsatisfactory though they may be, the Federal Government has acknowledged its responsibility, but unfortunately only to a limited extent.

Therefore Manitoba strongly recommends that the Federal Government immediately abolish all exclusions in the present Unemployment Assistance Agreement (other than those cases in which the Federal Government is already sharing in costs under other agreements), and contribute towards the costs relative to the caseload exceeding 1 per cent of the population, an amount approaching 100 per cent of those costs.

We believe that in all joint programs in the field of welfare we should at all times be concerned both federally and provincially with two particular objectives, namely that these programs should attempt to achieve:

- (a) a greater integration and simplification of welfare services to eliminate the present and growing duplication of activity, and
- (b) a recognition of the differences in the fiscal abilities and needs of the various provinces.

This recommendation will, I am sure, receive the unanimous support of this Conference.

Education:

At the present time all provinces and municipalities are facing the prospect of very large increases in the cost of education. In Manitoba, our estimates of prospective costs indicate that expenditures for operation alone in the field of education could increase about 50 per cent during the next five years, and may well double within ten years. Such an increase would involve, in five years, an additional expenditure in the order of \$15 million. Moreover, in view of the large additions which must still be made to school facilities, sinking fund requirements could easily add several million dollars to this amount.

Our universities also face the prospect of a rapid growth in enrolment and operating costs. Since there is every indication that university enrolment will grow more rapidly than the total population during the next five or ten years, federal financial aid to universities should be placed on a basis which would provide for that aid to increase at least as rapidly as total student enrolment.

Recent advances in the field of science underline the urgent necessity for improving the provisions now made for financing education, and further emphasize the need for an improvement in the revenue position of the provinces and municipalities.

Mr. Prime Minister, in this statement, we have touched briefly on several important subjects. Many of these deserve further attention—preferably, we suggest, by sub-committees of this Conference. Manitoba will gladly co-operate in any detailed study that may be decided upon.

However, the main problem before us today is that of the financial arrangements between the Provinces and the Federal Government.

We see the needs of new health plans and of education adding between \$25 million and \$30 million more each year to the costs of provincial and municipal governments in Manitoba alone. Welfare costs continue to rise even in the face of prosperity. In the past year, for example, Manitoba's welfare expenditures have risen by about \$1.5 million.

In the vitally important field of public investment, the burden of building up the nation's stock of schools, hospitals, roads and many other public facilities falls on provinces and municipalities. These are important investments—they are essential to the country's growth.

We know that the Federal Government has capital expenditures to make as well but there is an enormous difference in fiscal capacity between the three types of government. In the past three years alone, total provincial and municipal debt in Canada has grown by 37 per cent or \$1.8 billion. In the same period, federal debt has decreased by 2.6 per cent or \$400 million.

In other words, the Federal Government, with its tremendous financial strength and control of the nation's cash and credit, is taking such a large share of the nation's taxable capacity that it can reduce debt while the debt burdens of provinces and municipalities mount higher and ever higher. Surely this is almost exactly opposite to what should be the case.

Mr. Prime Minister, we appreciate the sympathy you and your colleagues have expressed for the problems of provinces and municipalities and the evident indications that your Government is determined to assist us in solving our financial difficulties. In all the provinces budgets are presently being planned for next year. Until the great uncertainty with respect to these problems is ended by declarations of the Federal Government's plans, nothing but confusion can prevail in all fields of provincial and municipal planning and financing.

We are, therefore, I repeat, prepared to stay at this Conference as long as is necessary for the Federal Government to give us its answer on the simple and concrete proposal we are about to make in regard to fiscal relations—the central theme of this gathering.

Fiscal Relations:

It is the contention of our Government that we do not need at this stage to go into a detailed consideration of new principles regarding our fiscal problems. We have gone through all this several times in recent years. We have had a number of meetings on this question. Our officials have met often to discuss its technical aspects. Throughout this period each of our governments separately has given serious and constant consideration to these vital problems. It is difficult to see what concrete purpose could be achieved by holding another series of conferences on this particular subject at the present time. All of us know by now our respective points of view and we should have learned by experience that our views can be reconciled only by some kind of compromise.

Fiscal relations between different spheres of government in a federal state like Canada raise a complex problem for which there is perhaps no permanent realistic solution. Practical compromises have to be worked out from time to time in the light of changing social and economic conditions in the country and of the evolving allocation of responsibilities between the Federal, Provincial and Municipal governments.

Our meetings during the past two years have contributed greatly towards the improvement of the general framework of our fiscal arrangements. Although this new framework does not meet each of our individual requirements perfectly, it has received general acceptance and we do not think that we can improve it greatly at this stage. We will all want to see how it works in practice. Moreover, no better alternative has yet been brought to our attention.

This general acceptance was illustrated in 1956 in the House of Commons by Mr. George Drew, who was then the Leader of the Conservative Party. Here is what he said on that occasion:

“I wish to make it quite clear that the present formula has some merits in the acceptance of certain very important principles. As the Minister pointed out, the proposal contemplates the continuance of a form of tax rental agreement, arrangements for federal collection of payments under those agreements, a tax equalization plan, a provincial stabilization fund which will protect municipalities against a severe drop in their revenue, and in turn an abatement in the federal taxation fields of personal income, corporation taxes and succession duties. The acceptance by the Federal Government of the place of the Provinces and the right of the Provinces in the field of income tax, corporation tax, succession duties and other direct taxes is, in itself, a welcome evidence of a return to the position which was always accepted without question between 1867 and 1941 when the wartime tax agreements were signed. . . .”

While there has been this general acceptance of the principles implicit in the framework of our tax arrangements, there has also been a sharp disagreement with the basis of equalization payments and the standard tax rates.

The Standard Tax Rates:

It should be quite easy to settle the problem of the standard tax rates. At previous meetings all provincial governments agreed that, considering their rapidly growing needs for more revenues, the standard rates proposed by the then Federal Government were much too low. As all of us will recall, these rates were and are 10 per cent of the yield of the federal tax on personal income, 9 per cent of taxable corporate income and 50 per cent of federal succession duty. Manitoba's views in this respect have not changed. On the contrary, our financial situation is even more difficult now than it was two years ago.

At that time the Federal Government very strongly argued that it could not afford to reduce the federal tax share any further by increasing the standard rates to the benefit of the Provinces. However, with the Federal Government apparently preparing to reduce its own tax rates, it would appear that an upward revision of the standard tax rates would certainly now be possible, thereby enabling the provinces and their municipalities to fulfil more adequately their own responsibilities. We suggest, therefore, that serious consideration should be given to the standard tax rates proposed by the Premier of Ontario at previous conferences and repeated on several occasions since, including this morning's meeting.

This proposal would make the standard rates:

- 15 per cent of federal individual income tax,
- 15 per cent of taxable corporate income, and
- 50 per cent of federal succession duty.

As far as the Manitoba Government is concerned, we are prepared to accept these standard tax rates immediately as a suitable and minimum settlement under present circumstances. These rates are, of course, based on the 1956 federal tax structure. We hope that when the other provinces have heard the remainder of our proposal they will be in agreement with Ontario and Manitoba as to the desirability of agreeing upon these standard rates.

The Basis for Equalization Payments:

We must emphasize that a fair arrangement regarding equalization payments must be an essential part of any satisfactory settlement. You yourself, Mr. Prime Minister, are reported to have said that any government of which you were the head would maintain fair and proper equalization payments for the less wealthy provinces.

At previous Dominion-Provincial meetings, though not this morning, the Premier of Ontario suggested that the present basis for determining equalization payments—that is, the average per capita yield of the standard tax rates in the two highest-yield provinces—should be changed, and proposed that the four top provinces or even the national average should be used to determine those payments. We in Manitoba believe and have always believed that the equalization payments should be based on the top province alone.

Before dealing at length with our view, I would like to give you some figures comparing the potential revenues of the various provinces under the 1956 Ontario proposal, which would have involved a reduction in the equalization basis, and under the Manitoba proposal, which involves equalization to the top province. In both of these, the 15-15-50 standard rates originally suggested by Ontario and endorsed by Manitoba are used.

TABLE I

Comparison of Total Revenues available to Provinces from the Three Direct Tax Fields (Individual and Corporation Income Tax, and Succession Duty) under the Formula proposed by Ontario in 1956 and under the Formula now proposed by Manitoba.

Province	Ontario 1956 Proposal: 15-15-50 with equalization to the national average (\$47.30)	Manitoba Proposal: 15-15-50 with equalization to the highest-yield province (\$61.49)	Difference between the Potential Revenues of the Provinces under the Ontario Proposal and under the Manitoba Proposal
	\$000	\$000	\$000
Newfoundland.....	19,633	25,523	5,890
P.E.I.....	4,696	6,105	1,409
Nova Scotia.....	32,857	42,715	9,858
New Brunswick.....	26,236	34,106	7,870
Quebec.....	218,943	284,620	65,677
Ontario.....	332,326	332,326	Nil
Manitoba.....	40,207	52,270	12,063
Saskatchewan.....	41,653	54,150	12,497
Alberta.....	53,123	69,060	15,937
British Columbia.....	75,327	85,997	10,670
Total.....	845,001	986,872	141,871

NOTE: Calculations are based on standard tax data supplied in April, 1957, by the Department of Finance, Ottawa.

TABLE II

Comparison of Total Revenues available to Provinces from the Three Direct Tax Fields (Individual and Corporation Income Tax, and Succession Duty) under the Present Arrangements and under the Formula proposed by Manitoba.

Province	Present Arrangements: 10-9-50 with equalization to average of two highest-yield provinces (\$38.70)	Manitoba Proposal: 15-15-50 with equalization to the highest-yield province (\$61.49)	Gain in Potential Revenues of the Provinces under Manitoba Proposal as compared to Present Arrangements
	\$000	\$000	\$000
Newfoundland.....	16,064	25,523	9,549
P.E.I.....	3,843*	6,105	2,262
Nova Scotia.....	26,887	42,715	15,828
New Brunswick.....	21,465	34,106	12,641
Quebec.....	179,130	284,620	105,490
Ontario.....	214,444	332,326	117,882
Manitoba.....	32,899	52,270	19,371
Saskatchewan.....	34,084	54,150	20,066
Alberta.....	43,469	69,060	25,591
British Columbia.....	54,122*	85,997	31,875
Total.....	626,407	986,872	360,465

NOTE: Calculations are based on standard tax data supplied in April, 1957, by the Department of Finance, Ottawa.

* Excludes stabilization payments: \$293,000 for Prince Edward Island and \$4,861,000 for British Columbia.

A brief analysis of these figures shows how important this issue is to all provinces. Under the Manitoba proposal, each province would have available under the arrangements the same number of dollars per capita. This surely is true equalization. If, however, the national average is used as the basis for so-called equalization, the provincial per capita returns differ significantly and, in total, the provinces would stand to lose \$142 million compared to the revenues they would receive under the Manitoba plan.

Now, we may ask: What is the justification for these equalization payments? The answer to that question should give us some indication as to what can be considered a fair basis for their determination.

These equalization payments are justified because they are required to maintain adequate levels of local and provincial services throughout Canada. We readily recognize that the wealthier provinces have growing needs for additional revenues in order to fulfil their constitutional responsibilities. But similar needs exist in the other provinces as well, and while the wealthier provinces can get these additional revenues as a result of having more effective and productive access to the three direct tax fields, the main sources of additional revenues for those provinces having a low tax capacity are the equalization payments. Without adequate equalization payments those provinces would not be in a position to meet their constitutional obligations and the municipal and provincial services would fall far short of what is essential. The people of those areas would not be willing to be treated as second-class citizens indefinitely. Those people would soon learn how to exercise political pressure at higher levels of government, and would require the Federal Government to provide the reasonable level of services that cannot be obtained from the municipalities and the provinces. In other words, equalization payments must be on a basis high enough to provide an adequate standard of local and provincial services throughout the country, to prevent the further centralization of powers at the national level and the weakening of our federal system. This fiscal need argument is not, however, the only justification for appropriate equalization payments. Here, Mr. Prime Minister, I am running nearly parallel with the argument of the Premier of the Province of Quebec.

We are, Mr. Prime Minister, claiming the recognition of a right. We want to get back some of the money that our people are paying each year in the form of higher prices, due in large part to the tariffs and other devices erected by the Federal Government which have had the effect of protecting the manufacturing industries mainly concentrated in Central Canada. This protection has contributed greatly to the continued industrial expansion in that area—an expansion that has brought with it a concentration in the central provinces of income and wealth that is earned in doing business with all parts of the country.

In order to understand this situation and to justify our claim we have to go back to the beginning of Confederation. All of us remember that Sir John A. Macdonald had dreamed of building a strong Canadian nation by developing complementary relationships between the different economic regions in Canada. His dream was simple enough. The Maritime Provinces and especially the Canadian West would become predominantly exporting regions. Their exports would pay for the imports of raw materials and machinery needed by Central Canada which would become the centre of a manufacturing industry selling its industrial products in our effectively protected market throughout Canada. As is well known, this dream has become a reality since the opening of the West and the implementation of the National Policy in 1879.

This plan, however, offered great disadvantages for predominantly exporting regions which receive little, if any, benefit from tariff protection, especially in the framework of the taxing powers given to provinces by the Canadian constitution. Tariff protection greatly contributed to increased employment, personal and corporate incomes and, therefore, direct tax yields in Central Canada. However, for the Maritime and Prairie Provinces, this tariff protection did not offer any significant advantage and did not materially contribute to increased direct tax yields within their own territories. It mainly meant for our people an additional financial burden in the form of higher prices for manufactured goods. It could well be considered a subsidy paid annually by the Maritimes and Western Canada, either in the form of duties or higher prices—a subsidy originally designed to develop and maintain the prosperity of the manufacturing industries in Central Canada. This situation explains to a very large extent why direct tax yields are so unequal from one region to another in Canada.

I want to emphasize again that the cost of tariff protection is shared by all Canadian citizens. However, while Central Canada derives significant benefits from those tariffs, the same cannot be said for the Maritime and Prairie Provinces. The net cost to these provinces is very heavy indeed. While it is impossible to measure that cost or burden exactly, it is possible to make comparisons of the prices of goods in Canada with world prices and to estimate in this way how much the tariff adds to the total annual expenditures of all Canadians. The Gordon Commission has made such detailed comparisons and its estimates indicate that the tariff is costing Canadian consumers annually approximately \$1 billion or about \$63 per capita. This is a very important contribution to the prosperity of manufacturing in Canada.

The varying impact of the tariff in Canada was fully analyzed by Dr. W. A. Mackintosh in his classic study entitled "The Economic Background of Dominion-Provincial Relations". Here are some quotations from that study. I think this is very well worth listening to, particularly in the case of people from the Maritime Provinces and the Prairie Provinces.

"Without the protective tariff, Ontario and Quebec would have had a smaller fraction of the Dominion's population than they now have. Industrialization and urbanization, particularly in the development of great metropolitan areas, would have been less. . . Since, however, the tariff has made easier monopolistic exploitation and has encouraged urbanization and the growth of metropolitan centres which in turn have by a process of agglomeration drawn to them further manufacturing and service industries because of the market, skilled labour, and industrial and financial services available, there is a presumption that it has increased the proportion of higher and more easily taxable incomes and capital values. These are associated with the more skilled industrial occupations, with executive and financial services and with the greater importance of corporate incomes. . . The protective tariff policy has imposed a burden on the export regions of the country in that the aggregate real incomes of populations of the regions have been less than they would have been in the absence of the protective tariff. It follows that removal or general downward revision of the tariff would have increased the aggregate real

incomes of these regions and would have made possible increases in provincial revenues. . . The conclusion is inescapable that effective increases in the tariff to an unmeasured but substantial extent increased the economic pressure on the predominantly export regions of the country and indirectly contributed to the financial burdens of the provinces concerned. . . ”

This authoritative statement by a distinguished Canadian economist supports Manitoba's contention that the burden imposed by the tariff on the Atlantic Provinces and the West has greatly exceeded its benefits to our areas.

I mentioned, Mr. Prime Minister, that the annual cost of tariff protection to the nation has been estimated at \$63 per capita. Our proposal for calculating the equalization payments—payments that are justified by the lack of balance between the cost to certain provinces of the tariff burden and their benefits therefrom, would annually amount to only about \$14 per capita!

This is not the whole story, however! Manitoba has always argued and still claims that a significant portion of the equalization payments represents merely a reimbursement of our own money. It is a fact that, because of the heavy concentration of industries in Central Canada, corporations pay their income taxes in those provinces—in many cases on the profits arising out of business done in other provinces. Under those circumstances, the constitutional right of provinces like Manitoba to tax profits made within their own territory becomes ineffective. That is why we are convinced that it is fair for the Federal Government to tax those corporations wherever they are located, and to redistribute the proceeds to those provincial governments which are not in a position to effectively exercise their constitutional prerogative in this respect.

To sum up: we feel very strongly that equalization payments should be determined on the basis of the per capita yield of standard tax rates in the top province. Such a basis corresponds not only to our needs but also to our rights as citizens of our country.

Mr. Prime Minister, the determination of the basis of equalization payments is of vital importance to us. It has, of course, significant financial implications for all those provinces with a low tax capacity, but above all, it is a question of principle and a question of fairness and it is at that level that we are sure you will want to envisage it.

We recall with confidence that you, Mr. Prime Minister, are reported to have said in Winnipeg as recently as last May that under recent tax agreements, the provinces had been forced into a “starved condition” and that the municipalities were the “forgotten people”. On another occasion you are reported to have stated that a conference would be called after your Government took office “in order to assure fairness to all”. We are sure that you will want to use the opportunity of this meeting to correct these conditions, and to implement your announced intention of assuring fairness to all.

The Government of Manitoba is of the opinion that its proposal would meet the minimum needs of each province much more adequately than the present formula. In order to illustrate this point, I would like to draw your attention to another series of figures showing for each province the difference in terms of revenues between the present tax-sharing arrangements and the Manitoba proposal, which is, after all, only a simple and natural modification of an earlier Ontario proposal.

DOMINION—PROVINCIAL CONFERENCE

Comparison of Total Revenues available to Provinces from the Three Direct Tax Fields (Individual and Corporation Income Tax, and Succession Duty) under the Present Arrangements and under the Formula proposed by Manitoba.

Province	Present Arrangements: 10-9-50 with equalization to average of two highest-yield provinces (\$38.70)	Manitoba Proposal: 15-15-50 with equalization to the highest-yield province (\$61.49)	Gain in Potential Revenues of the Provinces under Manitoba Proposal as compared to Present Arrangements
	\$000	\$000	\$000
Newfoundland.....	16,064	25,523	9,459
P.E.I.....	3,843*	6,105	2,262
Nova Scotia.....	26,887	42,715	15,828
New Brunswick.....	21,465	34,106	12,641
Quebec.....	179,130	284,620	105,490
Ontario.....	214,444	332,326	117,882
Manitoba.....	32,899	52,270	19,371
Saskatchewan.....	34,084	54,150	20,066
Alberta.....	43,469	69,060	25,591
British Columbia.....	54,122*	85,997	31,875
Total.....	626,407	986,872	360,465

NOTE: Calculations are based on standard tax data supplied in April, 1957, by the Department of Finance, Ottawa.

* Excludes stabilization payments: \$293,000 for Prince Edward Island and \$4,861,000 for British Columbia.

Since March, 1956, when the present tax formula was confirmed and the amounts available to all of us became more definitely known, Ontario has emphasized that it needs \$100 million more from these direct tax fields than it is getting under the present arrangements. It would get more than that amount if the Manitoba proposal were applied. Quebec also wants more revenues, more room for provincial taxes and the elimination of double taxation in those tax fields. The Manitoba formula would enable Quebec to achieve these objectives. The Maritime Provinces contended at previous meetings that they needed \$40 million more than they were getting. They would get this additional amount under our proposal. Finally, we believe that the other provinces would certainly feel that if our plan were accepted they would be in a much better position than they are at present to meet their constitutional obligations.

One of the distinctive merits of the Manitoba plan is that it meets the various needs of the provinces through a universal formula which would apply throughout Canada.

At the present time, our proposal for equalization to the top province means equalization to Ontario. Using that province as the standard for all Canada is, we think, particularly appropriate. It has the largest population of any of the ten provinces. With almost six million people it has more than one-third of Canada's population. It also has the largest personal income, both in total and in dollars per capita. The high standard of provincial and local services now being offered to such a large proportion of Canadians should, we believe, become the standard for which we should aim for *all* Canadians. We are, as I mentioned earlier, citizens of one country.

In conclusion, I would like to repeat the two main recommendations that Manitoba is placing before this meeting with respect to the tax-sharing arrangements. They are:

- (1) That the Federal Government accept the proposal already advocated by Ontario to raise the present standard tax rates to 15-15-50, as a basis of a temporary and minimum settlement in view of current circumstances.
- (2) That the Federal Government raise the basis for the determination of equalization payments to the tax yields in the top province.

We believe that agreement on these two proposals would form the basis of a mutually satisfactory settlement of the fiscal problem, with due regard to present conditions and our varied interests. We also believe that these recommendations can be implemented immediately, and that as the proposals they contain were first made public many months ago, you, Mr. Prime Minister, and your colleagues have had ample opportunity to consider all their implications. For these reasons and recognizing the great urgency of the current financial problems of municipalities and the provinces, we believe that we should receive an immediate answer to these proposals. We feel also that your Government should be prepared to initiate immediate action on these recommendations while Parliament is still in session so that the provinces could benefit from increased revenues in these tax fields at once. Otherwise any improvement in the present tax-sharing arrangements could be delayed for a year or more for the simple reason that Parliament might not be in session to amend the existing legislation.

Mr. Prime Minister, we have presented here a proposal which would involve standard rates of taxation, first put forward by Ontario and endorsed by ourselves, and which we think would meet with agreement by all other provinces, particularly when coupled with our plan for equalization payments. At the same time the Manitoba proposals for equalization would ensure that fairness to all which is one of your own avowed aims. Under these circumstances then, we believe that the Manitoba proposals are ones which should meet such widespread acceptance as to enable you to say that this meeting has achieved general agreement on this major issue and therefore that a decisive conclusion can result either today or tomorrow.

THE HON. W. A. C. BENNETT (*Premier of British Columbia*): Mr. Prime Minister and gentlemen, British Columbia is pleased to join with the other Provinces of Canada in discussions with the Federal Government on the broad subject of fiscal matters. In recent years such discussions have revolved primarily around the arrangements by which the Federal Government has rented from the Provinces their fields of personal and corporate income taxation and succession duties. These discussions have in addition, however, included an examination of specific measures not unrelated to the broad subject including a National health programme, resource development, and specific suggestions concerning access and transportation in various parts of Canada, particularly British Columbia.

British Columbia is anxious that these various subjects, which are matters of record from previous Federal-Provincial Conferences, be included in the agenda of this conference, for the progress made in each case—from earlier occasions—is at best inadequate. For example, in the matter of tax rental

agreements and the situation of municipal government not unrelated to these agreements, the current situation in almost every Province is actually impeding proper National development.

However, beyond the subject-matter of our previous discussions, and above the technical questions which we may consider here, is the very human question facing businesses and people to-day, namely, the economic outlook of the country—a National problem for the first time in the post-war period. By reason of what my Government has criticized as mistaken National economic policies involving so-called tight-money measures, the economic outlook has deteriorated and is to be seen everywhere in slackened business activity and unemployment. I urge, therefore, that a discussion of fiscal matters include an examination of the measures which Federal and Provincial Governments may undertake to improve business and provide employment now and until proper corrective measures are effectively applied.

I would like now to become particular in my remarks concerning agenda and suggest subjects for consideration and inclusion.

I. TAX RENTAL ARRANGEMENTS

Although tax rental arrangements have been variously justified by conditions of war, the fear of post-war depression, and the need for post-war rehabilitation and development, their effect has been to render increasingly difficult the discharge by Provinces and their municipal governments of their proper constitutional obligations for local development, the sum of which is really the development of Canada as a whole.

The backlog of provincial and municipal development awaiting action is a compelling and unanswerable argument for a re-examination of the tax sharing achieved by existing arrangements and a reapportionment of tax revenues more favourable to the Provinces.

Had previous submissions in this regard been acted upon, the current need would be less insistent. As it is, British Columbia feels justified not only in asserting its requirement for tax sharing equivalent to the present application of pre-war rates applicable in our Province, but also must suggest by reason of time and progress lost that the real requirement would be best expressed as 25 per cent of the current yield to the Federal Government of corporate and personal income taxes, and 50 per cent of succession duties. We cannot imagine the current requirement to be less for any other Province. And in a number of special situations, we recognize that direct Federal assistance will be required for Provinces whose economy for various reasons is not yet at a reasonable National average of prosperity.

In this submission, British Columbia asks for no special consideration which would not be available to any other part of Canada. But it is of paramount importance that in its arrangements the Federal Government recognize and provide for the problems of rapid growth and development nowhere to be better seen than in British Columbia. The problems of growth must surely be as important as the problems of delayed regional development which have been acknowledged in the past.

BRITISH COLUMBIA'S RECOMMENDATIONS FOR TAX RENTAL FEES (AND COMPARISON
WITH PRESENT RENTAL ARRANGEMENTS), FISCAL YEAR 1957-58

(Provincial rental fees based on 25 per cent of current Federal yields from personal and corporate income taxes and 50 per cent of current Federal succession duty collections—direct Federal assistance to certain Provinces to Canadian average *per capita* of Provincial rental fees.)¹

(All money figures in thousands of dollars, except *per capitas*, which are in dollars.)

No.	Items	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
1.	1957 population (000).....	426	99	702	565	4,758	5,622	860	879	1,160	1,487	16,558
A. TAX RENTAL FEES												
2.	Individual income tax—25 per cent of current Federal collections.....	3,486	486	7,792	5,398	83,842	179,136	16,568	10,952	26,092	44,252	378,004
3.	Corporation income tax—25 per cent of current Federal collections (11.5 percentage points)...	3,917	551	7,600	5,345	117,563	168,568	15,526	12,752	23,058	36,350	391,230
4.	Succession duty—50 per cent of current Federal collections.....	163	129	1,527	6,440 ²	21,196 ²	21,178	1,362	728	1,829	5,032	59,584
5.	Total tax rental fees (Items Nos. 2, 3, 4).....	7,566	1,166	16,919	17,183	222,601	368,882	33,456	24,432	50,979	85,634	828,818
6.	Rental fees <i>per capita</i>	17.76	11.78	24.10	30.41	46.78	65.61	38.90	27.80	43.95	57.59	50.06
7.	Amount below National average rental fees <i>per capita</i> (50.06).....	32.30	38.28	25.96	19.65	3.28	—	11.16	22.26	6.11	—	—
B. DIRECT FEDERAL ASSISTANCE GRANTS												
8.	To National average rental fees <i>per capita</i>	13,760	3,790	18,224	11,102	15,606	Nil	9,598	19,567	7,088	Nil	98,735
C. COMPARISON WITH PRESENT RENTAL PAYMENTS												
9.	Total of all proposed payments (Items No. 5 and No. 8).....	21,326	4,956	35,143	28,285	238,207	368,882	43,054	43,999	58,067	85,634	927,553
10.	Estimated present rental payments.....	16,537	4,136	27,250	21,935	184,708	224,755	33,384	34,119	45,031	58,983	650,838
11.	GAIN by adoption of British Columbia's proposal (Item No. 9 minus No. 10).....	4,789	820	7,893	6,350	53,499	144,127	9,670	9,880	13,036	26,651	276,715

¹ Personal and corporation rentals increased 5 per cent and succession duties 3 per cent (except New Brunswick and Quebec) over initial Federal 1957-58 source material (based on 1956-57). Based on Federal collection experience in each Province.

² To allow for "windfall successions" in respect of New Brunswick and Quebec, Federal figures for 1956-57 used without change.

DOCUMENTATION—TAX RENTAL ARRANGEMENTS

Statements of Right Honourable John Diefenbaker

"The Provinces and the municipalities have responsibilities in development and must be assured of sources of revenue. To that end the time has come for a more equitable share of tax yields being provided for the provinces and the municipalities."*

"When the Provincial Premiers meet the Federal Government shortly to discuss their fiscal problems, it would be no cut and dried proposition that would be placed before the Provincial representatives. The Premiers would be given an opportunity to present their case.

"We will bring about a new, or at least a revised, fiscal system, to aid the Provinces and the municipalities which cannot now adequately discharge their responsibilities. We will bring about an end to this centralization complex."†

"We will halt the ever-increasing trend to centralization of power in Ottawa whether directly taken, or indirectly through taxation measures which deny to the Provinces and in consequence to the municipalities their fair shares of the taxation dollar. Is evidence necessary to establish this trend?"‡

II. EMPLOYMENT

I suggested earlier that a conference concerned with fiscal matters should not ignore the questions facing businesses and people to-day. For the first time since the war, people and businesses face serious questions about their employment. For people, may I state that unemployment insurance and Provincial welfare measures are not satisfactory answers to unemployment. The answer to unemployment is the provision of additional work which can be most speedily provided by the joint efforts of the Federal and Provincial Governments and their municipalities.

Continuing efforts of this nature by our Governments will stimulate business conditions and employment everywhere. Work undertaken under these auspices represents what I believe should, in any event, be included in a balanced programme of National development. This conference should lay the foundation for such a National development programme.*

Moreover, this Conference should not rise without reaching decisions which would provide additional work for our people this winter. On behalf of British Columbia, I will make definite proposals for work to this conference at the appropriate time. I have no doubt that other Provinces are similarly prepared to make decisions to this end.

III. MUNICIPALITIES

Despite many exceptional measures introduced by various Provinces to assist their municipalities, this level of government, which takes the first impact of expansion, faces the most critical conditions of all levels of government to-day.

* Progress Report, the Progressive Conservative Party of Canada, February, 1957, pp. 4 and 5.

† Provincial Conservative Association meeting of Tuesday, November 5th, 1957, at Toronto, as reported in the *Globe and Mail* of November 6th, 1957, p. 1.

‡ Progress Report, the Progressive Conservative Party of Canada, March, 1957, p. 7.

* See pp. 12-15.

Municipalities are faced with the most widespread demands for expenditure. Money for municipal purposes must be found if the standards of our communities are to be maintained. Inadequate revenues and current costs of borrowing have caused postponement of many essential local works. Such works should not be further postponed and cannot be if the country is to expand.

I think it more than desirable that the Federal Government arrange that municipalities can borrow for their proper purposes sums at not more than 2 per cent interest. I think, too, that the Provinces should be prepared to guarantee repayment of such loans in their entirety in view of their constitutional responsibilities in this field.

IV. AGRICULTURE

I submit that the subject of agriculture should be considered at this conference.

Important phases of the National agricultural economy are to be found in British Columbia. I would welcome the opportunity of drawing to the attention of the Federal Government certain of the agricultural problems of my Province.

Our previous requests for extension to British Columbia of the "Prairie Farm Rehabilitation Act" is but an example of what I have in mind in this connection.

Prior to coming to Ottawa, my Government received submissions from the British Columbia Federation of Agriculture, which I would be pleased to discuss at this Conference.

V. NATIONAL HEALTH PROGRAMME

British Columbia has endorsed the principle of a National health programme and has indicated its willingness to take part in such a programme immediately.

We think it important that this programme include certain services which I shall enumerate and that they may be implemented step by step as experience dictates to the Provinces concerned, with not less than 50 per cent sharing of total costs by the Federal Government. It should be recognized that the ability and means of financing Provincial programmes will vary; therefore, piecemeal introduction of segments of the whole programme without necessity of a uniform basis of financial support from all Provinces should be anticipated and provided for in the National programme.

A National health programme should now include the following services:—

- (a) Hospital care for all acute and chronic illnesses, including laboratory and X-ray diagnostic service to in-patients. This should include the care of patients suffering from tuberculosis and from mental illness.
- (b) Laboratory and X-ray diagnostic service to out-patients.
- (c) Home nursing service.
- (d) Nursing-home care of patients suffering from chronic illness.
- (e) Medical-care service.
- (f) Dental care. (To be restricted to children initially but subsequently to include additional age-groups as facilities become available.)
- (g) Certain drugs, prescriptions, artificial limbs and appliances.

Since it is not likely that the majority of Provinces representing a majority of the people of Canada can simultaneously embark upon whatever programme is agreed to, my suggestion is that when agreement in principle is reached by the proper number of Provinces, the date of such agreement be the commencement of Federal participation in whatever agreed schemes the Provinces individually may thereafter commence. Even if this idea should mean that for a period only two or three Provinces would benefit from Federal co-operation, this fact should be recognized as an encouragement for others to follow. To withhold Federal co-operation beyond the date of requisite agreement would merely penalize the Provinces who are now prepared to act.

VI. SOCIAL WELFARE

Promptly after the recent National decision to increase Old Age Security pensions and to shorten the period of residence required to qualify, British Columbia indicated its willingness to bear 50 per cent of the cost of a \$9-a-month increase in pensions under the "Old Age Assistance Act" and the "Disabled Persons Allowances Act" and the Provincial share of increased pensions under the "Blind Persons Allowances Act."

British Columbia recommends that Canada should extend the Unemployment Assistance Agreement to include the sharing by Canada of supplementary Provincial social assistance for the aged and handicapped persons. Such a Federal step would ensure an equitable sharing by Canada, with each Province, in the provision of pension and supplementary social assistance, or cost-of-living bonus, to a level that approximates actual living costs across the Nation.

DOCUMENTATION—SOCIAL WELFARE

Increases of \$15 per month in Federal assistance under 1957 National amendments to the Old Age Assistance, Disabled Persons Allowances, and Blind Persons Allowances Acts, effective from November 1st, with part of the increased assistance a Provincial responsibility, will cost British Columbia:—

November 1st, 1957, to March 31st, 1958	\$335,000
Fiscal year 1958-59	830,000

VII. NATIONAL DEVELOPMENT

It was recently announced on behalf of the Federal Government "that a National development policy carried out in co-operation with the Provinces is needed to enable all regions of Canada to share in the benefits to be realized in developing the resources of this great Nation."*

In the opinion of British Columbia, this announcement was long overdue. When British Columbia entered Confederation, a positive programme of National development prevailed in Canada. Portions of this policy were recorded in the "Terms of Union" by which British Columbia entered Confederation and involved the construction of a railway and the mention of a

* Canada: House of Commons Debates, Monday, October 14th, 1957, p. 6.

"wagon road" to Eastern Canada which presumably will be completed by 1960 and be part of the Trans-Canada Highway. In grants and in money British Columbia has been required to contribute heavily toward both projects.

Since Confederation, Canada has seen many large projects which might properly belong under a programme of National development—the Canso Causeway and Halifax Suspension Bridge, the construction of numerous canals in Eastern Canada, the St. Lawrence Seaway, the intercolonial railway, the Luther Marsh and Fanshawe Dams, the St. Mary and Bow River irrigation projects, and no doubt many others to which the taxpayers of British Columbia have been pleased to contribute as Canadians. While many projects might be envisioned for National development in the future, it can be noted that there is presently an undertaking in British Columbia known as the Pacific Great Eastern Railway which, but for a nominal subsidy on a small portion of its total mileage, has received neither Federal financial support nor recognition of its true worth as a project contributing toward the development of British Columbia, its Central Interior, and, in fact, to Canada. In so far as National development works are concerned, British Columbia feels itself, in the past, to have been ignored.

I wish, therefore, to draw to the attention of the new Federal Government the particular case of the Pacific Great Eastern Railway and the fact that this railway deserves National support by way of capital subsidy for its construction.

To this example I add and repeat the submissions made in earlier conferences for Federal financial participation in the construction of interprovincial highways, arterial routes within the Provinces, and resource roads.

DOCUMENTATION—NATIONAL DEVELOPMENT

Statement of Right Honourable John Diefenbaker

"The need of a National development policy... We believe that the welfare of the Canadian people requires:—

- "(a) The adoption now of a National development policy in co-operation with the Provinces which will develop our natural resources for the maximum benefit of all parts of Canada;
- "(b) Encourage more processing of Canada's resources in Canada;
- "(c) Correct the present unfavourable trade balances;
- "(d) Faster wider financial participation by Canadians by the development of our resources;
- "(e) Promote greater opportunity and employment for a steadily increasing population."*

* Progress Report of the Progressive Conservative Party of Canada, March, 1957, p. 5.

A. CAPITAL EXPENDITURES ON DEVELOPMENT BY PROVINCIAL GOVERNMENT,
CROWN CORPORATIONS AND MUNICIPALITIES, NOVEMBER 1ST, 1956,
TO OCTOBER 31ST, 1957.

1. *Provincial Government* (net)—

(a) Capital expenditure out of income (roads and buildings) ¹	\$58,000,000	
(b) Grants-in-aid—hospital construction.	3,900,000	
		<hr/> \$61,900,000

2. *Provincial Crown Corporations* (with Provincial
guarantee)²—

(a) B.C. Power Commission.....	\$49,200,000	
(b) B.C. Toll Highways and Bridges Authority.....	26,400,000	
(c) Pacific Great Eastern Railway Com- pany.....	38,500,000	
		<hr/> 114,100,000

3. *Municipal School and Sewerage and Drainage
Boards* (with Provincial guarantee)³—

(a) "Public Schools Act".....	\$15,000,000	
(b) "Village Municipalities Assistance Act" ²	2,700,000	
(c) Greater Vancouver Sewerage and Drainage Districts ²	2,300,000	
(d) "Improvement Districts Assistance Loan Act" ²	1,400,000	
(e) "Distress Area Assistance Act" ³	500,000	
		<hr/> 21,900,000

4. *Municipal and Water Boards* (without Provincial guarantee)¹ 23,400,000

\$221,300,000

¹ Estimates, 1957-58.

² Based on net borrowings, November 1st, 1956, to October 31st, 1957.

³ Estimates, calendar year 1957.

B. PACIFIC GREAT EASTERN RAILWAY

*Statement of Right Honourable John Diefenbaker**

"Canada's northland is a vast safety deposit box of minerals that represent the title-deeds to freedom's survival... Cities in Northern Canada will spring up as the northland is opened... As the world enters an age in which science will dwarf the achievements of the past, the northern storehouse of Canada must be rendered accessible and available. Airway transportation cannot discharge this responsibility; *the extension of railways is limited*; water transportation is insufficient."

* Progress Report of the Progressive Conservative Party of Canada, February, 1957, p. 5.

*Statement of Honourable Howard C. Green**

"Mr. Speaker, the Government seems to be in the railway business over night. I would ask the Prime Minister whether he has given consideration to the speech on this subject made by the present Minister of Fisheries (Mr. Sinclair) at the time a subsidy was granted for the extension of the line from Quesnel to Prince George. If he has not done so, I would commend that speech to him. If he agrees with it, I think the Government would grant a subsidy for the whole extension into the Peace River area."

British Columbia requests on the basis of precedent that a grant of \$25,000 per mile be made for the total mileage of this railway net of any mileage grants made for limited mileages to date.

MILEAGE AND COSTS

Section of Line	Mileage	Date Completed	Cost of Construction
Squamish to Quesnel.....	343.0	1923	\$ 26,700,000
Quesnel to Prince George.....	82.0	1953	17,400,000
North Vancouver to Squamish.....	41.0	1956	14,100,000
Prince George to Fort St. John.....	263.0	1958}	54,000,000
Chetwynd (Little Prairie) to Dawson Creek.....	61.5	1958}	
	790.5		\$112,200,000

The grants made or promised on this railway to date are \$2,480,000 (Squamish to Quesnel, 82 miles at \$15,000 per mile and 50 miles of the extension north of Prince George at \$25,000 per mile) or 2.21 per cent of the capital costs of \$112,200,000.

British Columbia is requesting a total of \$19,762,500 or 17.61 per cent of the total original construction costs of \$112,200,000.

C. HIGHWAYS AND RESOURCE ROADS

Statement of Right Honourable John Diefenbaker†

"I believe that a National highway policy should be launched to provide highways for peace and development wherein the Federal Government will make contributions to or share costs in co-operation with the Provinces."

* Canada: House of Commons Debates, 1955, Vol. IV, p. 4390.

† Progress Report of the Progressive Conservative Party of Canada, February, 1957, pp. 5 and 14.

A FIVE-YEAR FEDERAL-PROVINCIAL PROGRAMME OF PRIMARY, SECONDARY, AND RESOURCE
ROADS IN BRITISH COLUMBIA.

	Total Mileage (1)	Miles of Construc- tion or Recon- struction Required (2)	Miles of Paving Required (3)	Total Cost of (2) and (3) (\$000) (4)
1. <i>Primary Highways (90 per Cent Federal and 10 per Cent Provincial)</i> (Interprovincial, International and National Defence Roads)				
(a) Completion of First Trans-Canada (Route No. 1).....	561	194	261	100,550
(b) Northern Trans-Provincial (Yellow- head-Prince Rupert) (Route No. 16)..	714	469	564	78,250
(c) Southern Trans-Provincial (Hope- Crowsnest Pass) (Route No. 3).....	558	112	162	19,750
(d) Princeton-Kamloops-Tête Jaune (Route No. 5).....	341	183	195	24,550
(e) Vancouver Island (Nanaimo-Port Hardy) (Route No. 19).....	227	119	119	17,850
(f) Cache Creek-Dawson Creek-Alaska Highway (Route No. 97).....	1,150	42	889	20,600
(g) Kaleden-Salmon Arm (Route No. 97)..	100	20	25	2,000
(h) Watson Lake-Terrace.....	482	482	482	57,000
(i) Cranbrook-Golden (Route No. 95)....	170	96	125	12,810
(j) Vernon-South Slocan (Route No. 6)..	196	136	151	19,000
(k) Terrace-Kitimat.....	37	13	37	3,000
(l) International connections—				
(i) Vancouver-Blaine (Route No. 99).	21	19	19	12,650
(ii) Nelway-Nelson (Route No. 6)....	42	—	4	72
(iii) Roosville-Elko (Route No. 95)....	23	7	23	1,250
Total, primary highways.....	4,622	1,892	3,056	369,332
2. <i>Secondary Highways (50 per Cent Federal and 50 per Cent Provincial)</i>				
(a) Balfour-Arrowhead.....	110	110	110	12,650
(b) Houston-Alexis Creek-Pemberton-Van- couver.....	520	520	520	46,800
(c) Williams Lake-Bella Coola.....	300	300	300	19,500
(d) Vancouver Island—				
(i) West coast road.....	58	25	25	2,875
(ii) Alberni-Tofino.....	70	70	70	3,500
(iii) Port McNeill-Zeballos.....	60	60	60	6,900
Total, secondary highways.....	1,118	1,085	1,085	92,225
3. <i>Resource Roads (50 per Cent Federal and 50 per Cent Provincial)</i>				
(a) Forest Resource roads.....	1,460	—	—	41,000
(b) Mining, natural gas, petroleum, and agricultural access roads.....	1,250	—	—	21,250
				523,807

Total cost is \$523,807,000. Canada's share of 90 per cent of primary and 50 per cent of secondary and resource roads would be \$409,636,000 or \$81,927,200 annually for a five-year programme. The Provincial share would be \$114,171,000 or \$22,834,200 annually over five years.

Incidentally Federal excise and sales tax and customs duties on automobiles, car parts, gasoline, etc., in 1955 are estimated as \$268,000,000.

D. MUNICIPAL, SCHOOL, METROPOLITAN BOARD AND IMPROVEMENT DISTRICT PUBLIC WORKS

Statement of Right Honourable John Diefenbaker*

"They (credit restrictions) have forced Provincial Governments, municipal and school administrations to pay excessive interest rates to finance vital public works and improvements."

MUNICIPAL DEBENTURE QUOTATIONS IN BRITISH COLUMBIA†

Date	Arithmetic Mean		
	Bid	Asked	Mid-point
October 1st, 1955.....	4.24	3.88	4.06
October 1st, 1957.....	6.14	5.86	6.00

ESSENTIAL LOCAL PUBLIC WORKS (EXCLUDING HIGHWAYS)
IN BRITISH COLUMBIA, NOVEMBER, 1957

	Capital Sum Required (\$000)	Remarks
A. Water and Sewers (self-liquidating)—		
1. Cities, district municipalities, villages, and improvement districts.....	35,585	40 per cent with engineering completed; could commence work in 1 to 3 months
2. Metropolitan water and sewerage districts.....	75,275	\$8,000,000 ready to commence at once, further \$23,000,000 commence in 1958.
B. Public School Buildings—Local school districts.....	56,000	Required over next 3 years.
C. Hospital Buildings—Improvement districts.....	16,782	\$5,000,000 can commence within 6 months, \$9,000,000 can commence within 12 months.
Total essential local public works (excluding roads)	183,642	

VIII. TRADE

British Columbia trades with the world, and nearly half of our entire Provincial output must be exported to maintain the high level of employment and personal income which has become characteristic of our Province.

In recent times high freight rates and the high value of the Canadian dollar abroad have operated against the trading economy of British Columbia. I must record that freight rates to permit access of our products to domestic and foreign markets are essential. Moreover, a realistic value for the Canadian dollar is a condition precedent to successful British Columbia trade abroad.

* Progress Report of the Progressive Conservative Party of Canada, March, 1957, p. 7.
† Source: McLeod, Young, Weir & Co.

British Columbia warmly welcomes present National efforts to expand Commonwealth trade, inasmuch as this effort would represent an expansion of trade already in effect with other parts of the world. We note that further to recent discussions of this plan the Commonwealth Trade Conference will take place in Canada during the early fall of 1958. To emphasize our concern with the problems of trade, and to mark the first 100 years of history as an organized territory, I would like to extend to the Federal Government an invitation to fix the place of this Commonwealth Conference in Victoria, British Columbia. I have ascertained that accommodation for the large number of delegates likely to attend such a conference will be available in Victoria during the latter part of September and early October, and I will be pleased as well to offer the facilities of the Legislative Assembly as a meeting-place for such a conference.

IX. TECHNICAL AND UNIVERSITY EDUCATION

Recently announced technical developments by a foreign nation demonstrate that Canada cannot ignore its reliance upon technical and university education, which by our Constitution has hitherto been regarded as a purely Provincial responsibility. As if moving toward a recognition of the importance of higher learning to the Nation, limited Federal assistance, both for capital and operating purposes, has been available under the "Vocational Training Co-ordination Act," the "Canada Council Act," and by appropriations paid to the National Conference of Canadian Universities. I think more must be done in this connection, particularly in the provision of capital and operating assistance for studies of obvious National importance. I think we are in a period when the Nation cannot afford to allow any first-class mind to go untrained. Particularly is this so in the sciences. Therefore, I am proposing that the Federal Government show itself to be willing to assist the Provinces and their universities and technical colleges to achieve the highest possible degree of training of our people. Even if the urgency of such a broad proposal were not recognized from the standpoint of National security, it should be recognized for its value in maintaining our position as a trading nation among the highly developed technical civilizations of the world to-day.

The Federal Government should share equally with the Provinces the capital cost of technical college and university expansion. Moreover, grants available through the National Conference of Canadian Universities should be increased to \$5 *per capita*.

In brief, I have proposed:—

- (1) That the Provinces receive a greater share of tax revenues.
- (2) That this conference agree to provide work for our people and businesses this winter.
- (3) That our municipalities receive Federal assistance in the form of low interest-rate borrowings.
- (4) That we start our National health programme now.
- (5) That we broaden our Unemployment Assistance Agreements.
- (6) That we make a deliberate beginning upon a National development programme which shall apply to all Provinces.
- (7) That the Federal Government take a bold step to assist technical and university education by greater sharing in capital construction and operation.

Mr. Prime Minister, British Columbia's brief is brief. We seek action now.

Hon. A. W. MATHESON (*Premier of Prince Edward Island*): Mr. Prime Minister, Ladies and Gentlemen: I wish to express to you, Mr. Chairman, the appreciation of the Government of Prince Edward Island for inviting us to this Conference and giving us an opportunity for a free and frank discussion of fiscal relations.

The favourable manner with which the Provinces received the suggestion of considering the financial situation in which the Constitution has placed the Provincial Governments, and of discussing means of improving their financial position, indicates the widespread uneasiness on this subject in the minds of all public men entrusted with provincial affairs.

We are reminded of a similar Conference of Province Governments held on October 20, 1887 in the historic City of Quebec. It was the first meeting of the Provinces since Confederation and it was convened by the Government of Quebec to discuss fiscal relations and other matters of common provincial interest. In his opening remarks, Premier Mercier quoted from the speech of Sir Andrew Stuart, the Administrator of the Province, at the opening of the First Session of the Sixth Legislative Assembly of Quebec:

“My Government intends inviting the Governments of the other Provinces and that of the Dominion, to examine a question of vital importance, namely: that of their financial and other relations with the Federal Government the lapse of twenty years since Confederation, has shown the insufficiency of the financial arrangements made at the outset”.

It was, therefore, apparent to one of the larger provinces in 1887, just twenty years after Confederation, that the financial terms of Union were inadequate. As for the smaller provinces it is well known that Nova Scotia registered her objections to the terms even before the British North America Act became law.

Today, the governments of Canada and the provinces meet again, as they did in 1887, with the same sincere desire to study the best measures for solving the present problem of financial relations. We have every reason to believe that the Government of Canada so recognizes our fiscal difficulties, the inequities of the present system of financial arrangements, and the wide economic disparity existing in Canada between provinces, that our efforts to place our finances on a more solid basis will receive from that Government the most favourable consideration.

I now take advantage of the opportunity to present a submission on behalf of the Province of Prince Edward Island. (Appendix “D”).

Mr. Chairman, this submission is considerably longer than the one which I am going to read to you. I had experience as a youngster in listening to sermons in Gaelic and in English, and I learned a lesson that you should make them as short as possible, because not too many souls were saved after twenty minutes. But I am going to make this promise to you, Mr. Chairman—not to you personally, sir, I mean everyone here—that if you do not take the opportunity of reading this brief, which contains far more than I am going to outline to you, the next time I come before you I am going to read it all, regardless.

In presenting this submission, I assure you, sir, that any criticisms which I may feel called upon to voice are intended to be constructive. There are only intended to point out to you and my fellow premiers the problems faced by my province and the inadequate means at our disposal to meet existing services.

I feel confident that, after reading our submission, you will all have a better understanding of our problems and will arrive at a more favourable arrangement than that offered to our province over the past ten years.

I will endeavour to confine my remarks solely to Prince Edward Island, and place before you our chief reasons for a re-adjustment of the present fiscal arrangement between the Federal Government and the Province of Prince Edward Island.

We contend that the measurement of need, linked with tax potential and tax-ability, should be the predominant factors in any financial consideration offered to the Province of Prince Edward Island. We consider it to be, perhaps not the only approach to the problem, but one in our opinion, that is fair and equitable.

One of the prime necessities of federalism is national consideration of the contribution and needs of *all* partners in the union. In such a system the basic and indispensable minimum requirement of any division of revenue between the two levels of governments is one that will ensure that each level of government has sufficient funds at all times to carry out its responsibilities and provide a reasonable national level of provincial services without resorting to an abnormal burden of taxation.

The Tax Rental Agreements may have produced an efficient tax structure, despite the lack of universal agreement, but they are not the fundamental solution to the financial problems of our form of government. They may have enabled some of the provinces to substantially expand their provincial, social and other services, and may have assisted in the development of provincial natural resources, but an examination of our accounts will prove, beyond doubt that the financial benefits accruing to the Province of Prince Edward Island were not even sufficient to meet its material needs, let alone provide for expansion of services and development projects.

I do not propose to examine here the weaknesses inherent in the present system of sharing tax revenues with the provinces. These weaknesses have been pointed out to the federal government at many conferences on financial relations and have been recognized by eminent writers on the subject of public finance in Canada and the United States. Therefore, I will mention only a few of the many unfortunate features which appear to us not to have received the consideration to which they are entitled.

In the first place, experience has indicated that the past and present tax rental agreements have not gone far enough to meet the needs of low-income provinces in that they were largely based upon a per capita plan of compensation. The combination of a standard tax yield and equalization grant does not really compensate for the inequalities of the per capita plan. Actually, a proper equalization adjustment would have to take into account the per capita income of a province.

In the second place, the existing plans fail to recognize the differences in tax effort in fields other than income taxes. In the third place, they do not allow for the steady decrease in the purchasing power of the dollar.

One prominent authority on Public Finance went so far as to say:—

“The relative improvement of the four Atlantic Provinces (taking these as the more needy provinces) is less marked under the new scheme of “equalized tax potential” on a per capita measurement than would be expected, because under the tax rental agreements these provinces were receiving a higher per capita payment than most other provinces.”

Both the Provincial Treasurer of Ontario, in his Budget Speech of March 1, 1956, and the former Leader of the Opposition in the House of Commons on July 16, 1956, recognized and supported the need for federal fiscal assistance payments to the Atlantic Provinces and were emphatic in their statements that the present formula did not achieve this purpose. Others have expressed the same opinion, and it has been expressed here today. The Leader of the Social Credit Party termed the new federal offer as "unrealistic and niggardly" and said it is based on "a surprisingly hard and uncompromising attitude".

With the disparities that exist among provinces in income and wealth, it is clear that without a fair sharing of the tax revenues between the federal government and the less wealthy provinces, the latter can maintain governmental services comparable to those in richer provinces *only* by the expenditure of substantially greater tax effort. These provinces have often hesitated to levy the heavy taxes which these services would require, for fear of driving out the business enterprise they sorely needed to improve their economic condition. As a consequence, public services administered without federal assistance in these provinces have suffered. Even where federal-provincial programs are calculated on a percentage or per capita basis and not upon provincial need and fiscal ability, the assisted services must, of necessity, be performed at levels substantially below those in other parts of the country.

For these reasons, I wish to record our disapproval of any financial arrangement that is based purely on theoretical calculations designed to meet only one purpose, and not the actual financial requirements of provincial governments. The Atlantic Provinces need adequate levels of education, health and welfare services, and economic development without resorting to taxation far more severe than the Canadian average. Experience has indicated that the tax-rental agreements have not provided these means.

As Canada has grown to the status of a nation, so have we grown as provinces, and government today at all three levels, is a large social economic mechanism designed to serve and operate for the welfare of the people. The same services are expected at the same level of government throughout the country. Canadians expect, and rightly so, the same quality of service—in education, in highways, in health and welfare, in justice, and in all the well established functions of government.

Another disturbing factor has been the economic inequality of the provinces. The gap between the economically fortunate provinces and those which are not so well off is out of all reasonable proportion; and financial arrangements which have enabled the wealthier provinces to perform certain services have usually not been sufficient to relieve the stringency of those with more limited means. As the late Honourable Norman McLeod Rogers emphasized, "a federation defeats its primary purpose if, through its constitutional arrangements or through policies instituted by the national government, it accomplishes the gradual debilitation of one or more of the provincial communities of which it is composed".

So far as the smaller provinces are concerned, their existing responsibilities are becoming more burdensome and are growing beyond the means of the local governments which are administering them. New and costly responsibilities are upsetting their budgets. There are bound to be more changes in the future in this age of rapid social, economical and technological development. The subsidies paid, plus the revenue from local sources, have proved totally inadequate

to provide sufficient revenue to enable the smaller provinces to deal satisfactorily with the varied interests entrusted to their charge. They have been unable to meet the steadily increasing obligations necessary to maintain efficiently their respective governmental services, to promote the moral and material progress of their people, and to provide opportunities for their young people whom they would like to see remain and work in the local area.

Therefore, every conceivable measure must be taken to stimulate and encourage the development of the primary resources of our country, regardless of their geographic location, and ensure continued expansion of secondary industry.

These are not problems which can be solved by the provinces alone; nor can they be solved by the Federal Government without reference to the provinces. Their solution requires co-operation and teamwork on the part of the provinces and the Federal Government with the understanding and support of the people at large. Regional economic disparities should not be permitted to hinder this teamwork.

After considerable study of the various approaches to the problems of inter-governmental financial relations, we still maintain that any proposed plan for payment of unconditional grants should only be adopted after a thorough re-assessment of the relative needs and resources of the various governments. Evaluating present and future demands (for five year periods) and then determining the annual payment to be made to each government sufficient to enable it to meet those demands is, in our opinion, the most realistic approach. It is the only exact method that will solve Prince Edward Island's fiscal problems compatible with present conditions and tax-ability.

However, if it is the policy of the present Federal Government to continue to use the same method of unconditional grants to the provinces, then we suggest that it should include (1) a basic guaranteed amount across the board before any fair and reasonable compensation for the rental of tax fields is calculated; and (2) an adjustment grant, supplementary to the other two payments, for the less favoured provinces, to permit an equitable minimum standard of governmental services across Canada. An adjustment grant would give some assurance that, in normal years, the provincial services will not be permitted to fall below the Canadian average and it would also protect the provinces against a slump in provincial revenues, resulting from low prices for their primary products.

I have already stated, one of the prime necessities of federalism is national consideration of the contributions and needs of all partners in the Union. We are proud of our position as a Province of Canada, and we declare that size, wealth and economic potential are not the only factors of national welfare and prestige. Like Tasmania in Australia and Rhode Island in the United States, we maintain that special consideration must never be neglected for the small partners, their position in the state and the needs of their people.

Other provinces have resources such as mining areas, power developments, oil fields and, of course, the St. Lawrence Seaway and others that have been mentioned here today. We would gladly welcome the discovery of oil or uranium under our red soil, and it may be that the future will bring us some such wealth. In the meantime, however, it appears that we will have to be content with improving existing enterprises with whatever extra revenue we can secure from presently available sources.

Economic progress does not permit docile acceptance of basic limitations and, if our Province is to play its proper part in the nation as well as provide the good life for its own people, we must seek ways and means of compensating for geography. Canada as a whole must do this; the Island is not unique in this respect. There are many things we can do for ourselves provided we have the revenue, but there are also many ways in which the nation, in its national policies, can contribute towards the solution of the problems of Prince Edward Island. We are a Province, a partner of Confederation, not just 100,000 people in Canada.

There are many examples of projects in local areas being undertaken as works for the national advantage. So far, there have been no such projects in Prince Edward Island. Something of this nature, such as a causeway, would be welcomed by us.

I should like to remind you once again that national unity must be more than a political concept. It must have an economic basis. The problems of the Atlantic Provinces, as well as the difficulties of the Central Provinces, must be tackled by all of us; the problems of any one of the Provinces should be the concern of every other Province. Prince Edward Island has many difficulties and we want the assistance of the rest of Canada in solving them just as other now prosperous provinces had in days when they had similar difficulties. In the early days of Confederation the Maritimes helped to build and make this Canada the great nation it is today. Now, if we are to have a United Canada, the wealth must be spread from the centre to the outside. Should the day come—and it might sometime—when the turn of the economic wheel of fortune brings wealth to the outside and hard times to the Central Provinces, we promise to take our turn again at helping the others.

In conclusion, there are certain principles which appeal to us on the grounds of logic and equity and which we think might fairly be applied as a test to any suggested financial arrangements. In our opinion, any financial arrangement agreed upon must do justice to all provinces. Consequently, the formula must take into consideration all factors affecting their economy. It must recognize sufficiently the basic fiscal inequality of some provinces and should include a national adjustment grant to those provinces which could qualify on the basis of their need. The amount of the grant should be such as to enable each province (including its municipalities) without resorting to heavier taxation than the Canadian average, to provide adequate social, educational and development services.

We emphasize these points to make our position perfectly clear to the Federal Government and the other provinces. We are not here as "beggars" seeking financial assistance to improve our present position at the expense of the other provinces because we lack the courage to add additional tax on our people, nor are we here complaining of the injustice and disadvantages of Confederation.

We only seek a fair and equitable solution to our present fiscal problems, and an opportunity of participating more actively in the growth and economy of our country. The earnest desire of the people of Prince Edward Island is to advance the interest of their province as an integral unit of Canada and promote its growth within the union. Some of our disabilities are traceable to national policy, while others may be described as new conditions which have arisen with the march of progress and prosperity.

We are fully confident that, with the support of our sister provinces and after hearing our appeal, the Government of Canada will find the ways and means, by special legislation if necessary, to increase the present financial arrangement with the Province of Prince Edward Island by an additional five million dollars per annum. Such an arrangement would be more in line with our present financial position, our urgent needs and our taxable capacity.

Furthermore, we request the Government of Canada to consider the cancellation of the debt of \$1,141,103.80 held by them in respect of the overpayment made to the Province of Prince Edward Island under the 1952 Tax Rental Agreement.

Finally, we realize that we are not alone in dealing with the problem of securing more adequate fiscal arrangements. Other provinces, in spite of competent and economic administration and restriction of expenditures to proper provincial purposes, find themselves like ourselves, unable to maintain the standard of government services normal throughout Canada. Where such conditions prevail they too should be corrected by a special grant. Of all our "national policies" in a century which Laurier predicted would be Canada's, this one would contribute most to national unity and national spirit, as well as local prosperity, which all our governments must surely desire.

May I add, Mr. Prime Minister that I agree with the Premier of British Columbia, that we proceed immediately to carry these projects into operation.

Hon. T. C. DOUGLAS (*Premier of Saskatchewan*): Mr. Chairman, ladies and gentlemen, on behalf of the Saskatchewan delegation may I extend to you, Mr. Prime Minister, our sincere congratulations on your accession to the high office which you hold. We are extremely proud of the fact that a citizen of our Province now occupies the highest position in the gift of the Canadian people. We believe that you are to be commended for having convened this Dominion-Provincial Conference within such a short period of the time you took office. We take this as an indication of your appreciation of the important function of the provinces and municipalities, and your desire to co-ordinate the efforts of governments at all levels in a concerted attack upon the many social and economic problems which confront the Canadian people.

The Saskatchewan delegation contains not only representatives from the Provincial Government but also from the rural and urban municipalities. Just as your Government has problems which it must meet, so the Provinces and municipalities are beset with pressing and vexing problems which naturally arise out of a growing and expanding economy. We believe that you have convened this Conference because you are convinced that we can solve our respective problems better by acting together than by wrestling with them separately, and because we all have a common goal, namely in improving the social and economic life of the Canadian people.

While the primary purpose of this Conference is to discuss fiscal relations, I am glad that you, Mr. Chairman, have to your opening statement this morning, brought forward other matters affecting our respective governments. There are several matters which we think are of paramount importance, and I shall on this occasion take the opportunity of mentioning them only briefly. I should first like to devote myself to a few remarks regarding federal-provincial fiscal relations.

Fiscal Relations

The fundamental failure of the present fiscal arrangements lies not so much in the method of sharing as in the size of the shares themselves. Of the total collected from the three tax sources covered in our arrangements, the Federal Government today pre-emptes about 70 per cent, and the remaining 30 per cent is parcelled out to the provinces. Yet, it is the provincial and municipal governments which are bearing the brunt of increased expenditure in carrying out their recognized functions. We believe there is only one answer: the 30 per cent share must be increased substantially.

All of us who are involved in preparing provincial budgets and in receiving delegations of mayors and municipal councillors are keenly aware of the continuing steep climb in expenditures necessary merely to maintain essential services at an adequate level. Consider for a moment our dilemma with respect to that most vital of provincial responsibilities—education.

In Saskatchewan during the recent years the annual increase in total provincial and local expenditure on the school system has been close to \$3 million. We estimate that during this first year of the current tax-sharing arrangement, Saskatchewan's federal tax payment will be, at the most, \$3.5 million larger than it would have been under the terms of the old agreement. Yet, during this same year we have found it necessary to increase our provincial grants to local school districts by a similar amount—\$3.5 million. So, apart from education, where we have had to put the money to keep our collective noses above water, we are actually no better off than we were a year ago. We have not been able to devote any of this increase to health needs, to social welfare, where our commitments have recently gone up on all shared-cost programs, or to essential development projects.

We are in full agreement, Mr. Prime Minister, with the statement which you made in the House of Commons during the debate on the tax-sharing bill in 1956, when you said:

“Recognizing as we all do that education is a provincial responsibility, I think the time has come. . . for the Federal Government to act in order to preserve and increase the amounts available for expenditure upon education within this country.”

The time has indeed come. If equal educational opportunity is a valid objective, then it is imperative that the problem be recognized and the needs assessed at this Conference. In our view, the most effective way in which the Federal Government can give aid to education is to make substantially larger payments to the provinces under the tax-sharing arrangements.

Distribution of Additional Tax Revenues

If the Government of Canada is favourable to giving the provinces a larger share of the tax revenues under discussion, the important question is: How is it to be distributed? You, sir, have stated that in any change of the tax-sharing formula, no province will get less than it is receiving at the present time. I submit, however, that this is hardly a concession. The tax-sharing agreements have been signed and are on the statute books. They do not expire for four years. We take it for granted we will not get less. The critical question is: How do we share any additional tax revenue? Is it to be distributed equitably

and justly to all of Canada? Or will it go to the wealthier provinces, thus increasing their advantages over the less wealthy? Any attempt to weight the distribution in favour of those provinces which have a high tax potential would, in our opinion, constitute a serious backward step and we will resist it with all power at our command.

May I say, Mr. Prime Minister, that I personally was delighted with part of the statement you made this morning when opening this Conference. I quote from the transcript, wherein you say:

“I believe that the Dominion treasury should help to equalize and to stabilize provincial revenues, and I say that as a general statement.”

I underline the two words “equalize” and “stabilize” because, in my opinion, we must not only preserve our present degree of equalization: we must carry it an important step further. We need above all to remember that the direct tax revenues, regardless of the site of their collection, are the result of the collective effort of all Canadians, and ought to be distributed in an endeavour to equalize standards of education, health and welfare as between the different provinces of Canada. We need to remember that a Canadian citizen has certain inalienable rights, whether he lives in New Brunswick, Ontario or British Columbia, and there can be no justification for having high standards of education, health and welfare in one part of Canada and pitifully low standards in another.

Fiscal Improvements Needed

The first step toward the essential improvement of federal-provincial fiscal relations, therefore, is clearly to provide a measure of revenue to all the provinces more adequate to our increasingly urgent needs. Under the present system of tax-sharing, which incidentally represents almost two decades of study, trial and error, and evolutionary compromise, the obvious requirement is a significant increase in the level of the standard rates. I hesitate at this time to put forward a precise suggestion, but I do submit that the 15-15-50 formula advanced by the Premier of Ontario two years ago and suggested by him this morning, would certainly have yielded revenues to the provinces far more in keeping with our needs than the 10-9-50 formula adopted by the Government of that day. However, I should say at this point that we would not look upon that formula favourably if it were accompanied by a lowering of the equalization payments on the basis of the national average. We certainly think that the equalization payments ought not only to be on the basis of the two highest provinces, but actually on the basis of the highest province, as I shall enumerate in a moment.

The second necessary step is far less a matter of dollars than establishing a fundamentally important principle. This is simply that under the general system for sharing equitably in the direct tax fields, the same yardstick should be used for all the provinces. Specifically this means that the basis for computing the payments to each province should be the per capita yield in the single highest province, rather than the average of the two highest as at present. It seems to me that to adopt any approach other than that of a common yardstick for all the provinces, to rank the provinces on a discriminatory basis as more favoured or less favoured, is a disastrous lack of statesmanship. It is, in my view, a sure and certain invitation to feelings of discord,

division and disunity across the whole country. Our fiscal relations must be aimed in the opposite direction in order to further the growth of a common citizenship and the opportunity for every Canadian to share in that citizenship.

Fiscal Need Grants

Even if the two steps I have outlined are taken, it seems doubtful to me if the fiscal needs of the least wealthy provinces will be adequately met. It is invariably true that in these provinces the per capita return from other provincial tax sources is also below the national average. Except for rare and fortuitous circumstances the bulk of existing provincial tax revenues is closely tied to the level of consumer expenditure, and therefore to personal income. This is true of gasoline taxes, motor vehicle revenues, liquor profits and other sales taxes wherever they exist. It is obvious that wherever and whenever personal income levels are low, provincial tax revenues will be comparably low even if special efforts are made to boost revenues by the imposition of additional tax burdens.

That is why, in the past, we have advocated that over and above the general tax-sharing arrangements there is need for a system of federal grants to individual provinces based on total fiscal need. Two years ago we put forward a suggestion that a simple and workable approach would be to provide for fiscal need grants payable to those provinces in which per capita personal income fell below the national average. Generally speaking the plan suggested would provide for relatively modest grants, which would be of considerable benefit to the Atlantic Provinces.

I would like to say, Mr. Prime Minister, that I for one was pleased this morning when you indicated that your Government might be presenting to Parliament legislation to give special assistance to the Atlantic Provinces. Any one who has attended these Conferences as I have, since 1945, cannot but be impressed with the particular and special problems faced by the Atlantic Provinces, and I think we must take cognizance of the problems which confront them. But I do ask that when we consider what assistance should be given to the Atlantic Provinces—whether it ought not to be on a fiscal basis, rather than on a regional basis. By attempting something along the line of the suggestion we have made, which was that a province would receive a stated sum in relation to its population for every dollar that the per capita personal income fell below the national average, we would not only be helping mainly the Maritime provinces, but any other province who in a particular year might have a sudden drop in its personal income.

There are two further points I should like to raise with respect to tax-sharing agreements. I come now, Mr. Prime Minister to the second word in your statement this morning which I emphasize. You said that the dominion treasury should help to equalize and to stabilize provincial revenues. We think it important to provide a greater measure of stability for provincial budgets in our fiscal arrangements. It should be the purpose of any five-year arrangement to allow for adjustments at the end of that period in tune with established long-term trends in the economic picture. At the same time it should be the purpose, during the five-year period, to minimize those year-to-year revenue fluctuations which seriously affect provincial programs.

The first way in which this might be accomplished is to lend substantially greater weight to an increase in the standard rate for personal income tax

rather than the corporation income tax, because the latter, of course, fluctuates much more readily. The other measure of stability would be to provide an irreducible guaranteed minimum payment. We propose that each year's payment should become the guaranteed minimum for the following year. I might point out that such a measure is particularly necessary to those provinces which rent all three tax sources to the Federal Government. As things stand now, a province which does not rent the three fields not only receives the same equalization and the same stabilization as provinces that do, but has the additional advantage of being able to make up any decline in these payments by additional levies in its unrented jurisdiction. This is surely imposing a restriction upon those provinces which rent the control of their tax rights to the senior government. This difficulty should be removed by guaranteeing to tax-renting provinces the stability of an irreducible guaranteed minimum for the five year tax renting period.

Finally, I want to reiterate an important amendment to the Tax Rental Agreements which has been sought by the Province of Saskatchewan for some time. It concerns the provision which allows the provinces, within limits, to tax the proceeds from logging and mining operations on the basis of income, even though they have rented the income tax field. This provision recognizes—or, I should say, purports to recognize—the burden of responsibility on the provinces in the development of resources whether or not title thereto has in the past been alienated from the Crown. In effect, by definition, it grants this recognition to some provinces and withholds it from others. I refer to the definition of minerals, which expressly excludes petroleum and natural gas. Since a very large part of the mineral wealth of the Prairie Provinces consists of oil and gas, the effect of this exclusion is to impose a discriminatory handicap upon these provinces. I want to urge once again, therefore, that the definition of minerals be amended to include petroleum and natural gas.

These, in brief outline, are the principal changes which the Government of Saskatchewan believes are required to—and, using your own words, Mr. Prime Minister—equalize and stabilize provincial revenue.

Before I leave that matter, I would like to just refer to the statement which you made this morning. You said:

“When we have your views and suggestions we would like to study them in detail and prepare some specific proposals to put before you at a mutually convenient time in the New Year.”

I would like to join the preceding speakers in pointing out that the provinces, the municipalities and school boards are in the process now of preparing their budgets and that it is extremely important that if a second conference is to be held, it certainly ought to be held, I would say, not later than January. The beginning of the fiscal year being April 1st, the school boards and municipalities will want to know what we are going to be able to do by way of assistance to them in municipal and educational grants. I would like to express the hope that any second conference which may be necessary to complete these discussions should be held very early in the New Year.

Problems of Municipal Finance

May I turn now to the question of municipalities and say that in our view, the plight of municipal governments is among the most important of these issues which are now before us. We are fully aware, of course, of the consti-

tutional responsibility which the provinces bear with respect to local governments. Despite the gravity of their financial problems, which I indicated a few moments ago, we realize that money is not the only problem. A Royal Commission in Saskatchewan recently recommended a sweeping reorganization of rural local government to meet changed conditions and modern needs. As a result, last year we called an unprecedented local government conference at which we exchanged views with representatives of all our local government bodies—urban as well as rural. Out of that Conference was set up a Continuing Committee, the Chairman of which is with us here today, and this Committee is not only considering fiscal matters but is also giving study to reorganization and improved inter-governmental relations.

This growing concern for the welfare of municipal government is evident right across Canada. New approaches to metropolitan government are being tried in Ontario and receiving careful consideration in Quebec and elsewhere. Alberta has undertaken to enlarge its rural municipalities and consolidate their functions. Many more instances could be cited. The point, it seems to me, is this: the provinces and municipalities are endeavouring to the best of their abilities to discharge their responsibilities. We are improving the efficiency of local government and revising its structure. However, we will not get very far unless ways are found to provide two kinds of financial relief to the municipalities.

The first aspect requiring relief is found in the continuing burden placed on municipalities in meeting the growing demand for municipal services—a burden reflected in an ever-climbing mill rate. As I indicated earlier in discussing the problems of schools, we believe the most realistic approach to this problem is a substantial increase in provincial transfers to local government—an increase possible only if federal tax payments to the provinces are increased substantially.

Of even greater importance today is the problem of obtaining capital financing for the expansion of essential local services. The demand for school buildings, hospitals, sewer and water installations, roads and streets has never been as high in our Canadian municipalities as it is today. In the face of this, municipal councils and school boards have been confronted with a tight money policy. As a result, they have had to pay 6 per cent and higher for the money they must borrow, but even more serious, in many cases they could not borrow money at all.

Serious as it is, tight money is not the fundamental problem. Throughout Canada we are faced with the necessity of making much heavier investments in what we may call basic social capital. The Gordon Commission estimated that \$100 billion would be required over the next twenty-five years to do two things: first, to raise our facilities to an adequate standard; and second, to provide new facilities for our growing population. These are investments which cannot be postponed without serious social consequences. By the nature of things, the greater share of responsibility for them falls on units of local government.

The borrowing capacity of municipalities is limited and the costs are high. If we are to devote a greater share of our national product to these essential local services, it seems obvious to me that the superior and more economical credit resources of the Federal Government must be brought into play. In Saskatchewan the Provincial Government has purchased local debentures to

the extent of its financial ability. Other Provinces, I know, have taken similar action. But this is not enough. Therefore, with a plea of urgency, I wish to renew the proposal which I made at the Federal-Provincial Conference two years ago, and on which no action was taken, namely that the Federal Government revive, revise and broaden the Municipal Improvements Assistance Act. We are not asking for a handout but simply the opportunity for municipalities to borrow at reasonable rates of interest for essential projects. I am convinced that the growing needs of our local authorities make immediate action on this matter absolutely imperative.

Hospital Insurance Plan

Now may I turn, Sir, to the matter of national hospital insurance. May I begin by saying that we welcome the statements which you made this morning. We were especially pleased with the following statement, and I quote from the transcript:

“My colleagues and I have no objection in principle to introducing amendments in Parliament to provide for inclusion of mental hospitals and tuberculosis sanatoria which it has been estimated will cost \$68 million to begin with if all the provinces come in, and the cost will mount year by year, but we wish to make clear that whatever is offered to provincial treasuries in this matter cannot be provided in other forms, and in particular must be taken into consideration in any revision that takes place of the Tax Sharing Arrangements Act.”

I say we welcome that statement because we have never been able to understand why the previous government, which brought down the legislation, thought it necessary to exclude certain groups. We have never been in favour of excluding any patients but we are particularly opposed to the exclusion of patients suffering from mental illness or tuberculosis. The need for protection in these areas is, if anything, greater than others. We have seen nothing which justifies the exclusion of benefits of national hospital insurance to half the hospital population of Canada. Therefore, Mr. Prime Minister, I would say on behalf of the group which I am speaking for here today that we certainly urge you to proceed with the suggestion you made this morning to amend the Act and to remove the exclusion of those patients who are suffering from mental illness or tuberculosis.

Most important of all, of course, from our point of view is the matter of the implementation of the plan itself. We have always been disturbed up until today that there has been no clear-cut statement forthcoming as to when the proposed hospital insurance plan would be put into operation. We could see some justice in withholding federal contributions until a majority of the provinces representing more than half the population of Canada had signified their intention of participating; but we now have not six but seven provinces, including the great Province of Ontario, signifying their intention of participating. In our opinion this signifying of their intention to participate should be accepted as a fact, and the Federal Government should be prepared to participate immediately with any province that is ready to proceed.

And again, Sir, may I quote from what you said this morning:

“Unless you express strong reasons to the contrary we are inclined now to recommend to Parliament a change in the law to remove the “six provinces” clause and to substitute for it an earlier and more definite date for commencement of the plan.”

We, of course, will be anxious in the discussion period to find out what is meant by "the earlier and more definite date". We certainly hope that it will be January, 1, 1958. My good friend, the Premier of Ontario, Mr. Frost, is reported to have said in the press:

"Ottawa should throw out these restrictions and proceed on the basis of dealing with single provinces."

We agree with that. We feel now that seven provinces have indicated their intention to proceed, the Federal Government should be prepared to participate in the plan and in making payments under the plan in any province that has a plan under operation or is ready to get one under operation.

May I say this, too, Sir. This morning you made the comment:

"Then there are other matters in connection with hospital insurance which require to be discussed but I suggest that they would be better taken up at a separate meeting."

I think that is probably advisable. May I advise that such a separate meeting should be held very soon. Our technical advisers on health insurance are being called together on, I believe, December 11th. I want to point out how difficult it is, if not well nigh impossible, to discuss the technical aspects of a problem like this until basic policy questions have been settled. Therefore, we think it most imperative that the Premiers and Ministers of the Provinces who are anxious to participate in this plan ought probably to meet after this conference or to come back sometime between now and Christmas in order to reach some agreement as to, first, when this plan will go into operation, and, secondly, under what terms and conditions. If legislation is required then we should have some understanding as to what type of legislation the Federal Government would require. As far as our own Province is concerned we already have this legislation and we have had a plan under operation for some eleven or more years now. If the Federal Government requires some different type of legislation, then we should be so advised. Therefore, we are proposing, Mr. Prime Minister, that your government take whatever steps are necessary to bring about federal participation in the hospital and insurance payments commencing January 1, 1958, in those provinces which have plans in operation.

National Development Program

There is a third item which I trust will have a place on our agenda when we get into discussing other matters in addition to fiscal arrangements, and that is the matter of a national development program. As you may appreciate, the South Saskatchewan project, which has been promised for so many years, is in the forefront of our thoughts, particularly after the drought which we experienced in Saskatchewan this year. We are hopeful that we shall at long last see a start on this project in early 1958.

However, we do not regard the South Saskatchewan Irrigation and Power Project as a be-all and end-all in a national development program. That would be short-sighted indeed. We were gratified to note the Federal Government's intention of assisting with the financing of the hydro-electric potential of the St. John River in New Brunswick and the construction of new thermal power facilities in Nova Scotia and New Brunswick. We were pleased also to hear that the Federal Government plans to push ahead on development of Columbia River power in co-operation with the province of British Columbia. I am sure,

however, that the Premiers of these provinces, like myself, approach the question of resource development with something more than regional interest. We, and I am sure all the provinces, are vitally interested in the creation of a comprehensive national development policy which will provide the framework for a full range of conservation and development programs in which the national interest will be served and in which all of Canada will share.

To arrive at a more systematic approach to comprehensive development, it seems to me the Federal Government might well establish several classifications of joint federal provincial projects. These could include, perhaps (1) power and fuel (2) soil and water (3) roads and highways and (4) renewable resources. Let us consider these briefly, one by one.

With reference to power and fuel, we note that the Federal Government has set up a Royal Commission on Energy. While it will be concerned specifically with the question of export control and other matters of exclusively federal jurisdiction, these aspects are closely related to the development of provincial resources, and we await its recommendations with great interest.

There is no more critical area than the development of our sources of energy. Particularly is this true in the development of electrical energy, the sources of which in Canada are on the whole, abundant. However, their development requires enormous capital expenditure. The Federal Government has given explicit recognition to this fact in the Maritimes and British Columbia and indirectly, in Central Canada, through the construction of the St. Lawrence Seaway. But this is a general problem. For example, in Saskatchewan today the load on the provincially-owned system is increasing at the phenomenal rate of 20 per cent compounded every year. We are faced, therefore, with the need to double our generating capacity every four years. Taking power and gas together, the necessary capital requirements planned for Saskatchewan in the next ten years will exceed \$500 million. When this sum is added to necessary capital requirements for other purposes, it is clear that we will far exceed our credit resources.

The second program which I would suggest is soil and water conservation and development. Recently the provincial Ministers of Agriculture collectively submitted an excellent recommendation to the Federal Government. I would like to second that proposal here. It called, first, for the integration of P.F.R.A. and the Maritime Marshland and Reclamation Authority into a new national agency to assume overall direction of federal policy in this field. In our opinion, this is a necessary first step in achieving a comprehensive and integrated approach to our use of soil and water.

Turning to the third suggested classification, we note that the Trans-Canada Highway is now well on its way to completion. Saskatchewan is proud to be the first province to have completed its share of this vital east-west link. This is a good beginning on the job that has to be done. But it is only a beginning. Here again we see the need for a comprehensive approach leading to an integrated primary road network that will answer three development needs: first, additional east-west interprovincial highways vital to our commercial and industrial growth; second, north-south links which will connect with the major traffic arteries in the United States; and third, essential northern development roads. Only with the fullest federal-provincial co-operation in planning and financing can we meet these needs.

The fourth program would be devoted to the conservation and development of renewable resources. Many joint projects are already established in forestry, fishing and similar primary industries. The consolidation of these agreements would work in the interest of economy and efficiency. In addition, it would help reveal the weaknesses in current programs and assist in the formulation of comprehensive policy with respect to these important resources.

If we were to approach the whole problem of national development in a systematic way we might ultimately achieve three things: first, a clearer formulation of our respective responsibilities; second, a more equitable distribution of federal participation in joint development; and third, greater flexibility in applying both federal and provincial fiscal resources to the tasks of conservation and development.

Conference on Farm Income

May I place before this Conference another matter which I think is of vital importance. I refer to the urgent need for a full-dress federal-provincial conference on farm income.

In renewing this proposal I am aware that the provincial Ministers of Agriculture have recently met with the Honourable Mr. Harkness to discuss farm problems. I am also aware that legislation has recently been passed to pay advances on some farm stored grain. I am hopeful, as I know you are, that this step will help to improve the desperate cash situation among western grain growers.

But these two events can have little impact on the fundamental farm income problem which is affecting farmers right across Canada with continually greater severity. I refer to the continuing decline in prices paid to the farmer and to the continuing increase in his costs of production.

And lest there should be any doubts that this is in fact a national problem, let me point out what has happened to farmers in Quebec and Ontario as well as on the Prairies. Between 1951 and 1956, according to the Dominion Bureau of Statistics, farm prices declined by 16 per cent in Quebec; by 20 per cent in Ontario. At the same time farm costs in these two provinces rose by more than 7 per cent. In Saskatchewan, farm prices have gone down 25 per cent while costs have risen almost 8 per cent. The squeeze continues to grow tighter in 1957. How long can we expect our farmers to survive under these conditions?

In seeking some income protection, farmers are not asking for preferred treatment. They are simply asking for a measure of protection which is already extended to many other producers in Canada. What is a protective tariff if not a subsidy, the cost of which has fallen with particular weight on the farm population? The farmer asks only that the prices he receives permit him to pay his costs of production and earn a reasonable return for his labour.

The annual production outlook conference for this winter has been cancelled but I urge that in its place a conference be called to tackle the serious problem of farm prices and farm marketing. This is basically not solely a farm problem but a problem which has repercussions throughout our entire economy. We cannot expect, therefore, to lay it in the laps of the Ministers of Agriculture alone. Such a conference should include as well the heads of our respective governments, the Ministers of Finance, and the Federal Minister of Trade and Commerce.

Unemployment Threatening

At this time, may I say a few words about the problem of unemployment which, it has been suggested, may reach serious proportions during the coming winter. This is primarily a federal responsibility and I will not presume to advance any suggestions as to what steps the Federal Government should take to deal with the unemployment situation. We all welcome the announcement by your Government that it intends to extend the period of unemployment insurance benefits and that every effort is being put forth to cope with the problem, should it reach serious proportions. Having said this, however, I should point out that the potential increase in unemployment does underline the need for the Federal Government to accept a more realistic share of the costs of unemployment relief.

We welcome the statement, Mr. Prime Minister, that you made this morning that you are considering the matter of the 45 per cent "threshold". We may have a select committee to discuss this when we go into committee; and I have some remarks which I wish to make in that connection.

Rising unemployment will create serious difficulties for both provincial and municipal governments and we stand ready to co-operate with the Federal Government in any co-ordinated program which they may have to provide employment for those who have been thrown out of work. Most of the provinces have worked closely with committees set up by the Federal Department of Labour to stimulate winter employment and to persuade employers to plan their operations so as to minimize seasonal unemployment during the winter months.

There may be other ways, however, in which the provinces could be of assistance. Some years ago at a previous Dominion-Provincial Conference we discussed the advisability of planning a series of public works projects which could be put on the shelf until such time as unemployment made it advisable to put these plans into operation. Many of the provinces and municipalities have in mind various projects which could become part of a large-scale public works program. If and when your Government is ready to launch such a program we would like you to know that the Saskatchewan Government and its municipalities would be prepared to co-operate fully with you in putting it into effect. However, I think it should be pointed out that this cannot be done unless a great deal of preparatory work has been done in advance. If any large-scale program of public works is contemplated the plans will have to be laid now rather than waiting until we are confronted with unemployment of any considerable magnitude.

In conclusion, may I say that we have come to this conference desirous of co-operating with the Federal Government and the other Provinces in any way which will best serve the people we represent. I am convinced that if we all approach the various questions which demand our attention in a spirit of co-operation and with an understanding of each other's viewpoint, this Conference can have beneficial and far-reaching effects for the Canadian people.

THE CHAIRMAN: I wonder whether I would be voicing the consensus of opinion of those here present to suggest that, in view of the fact that there are still two Provincial Premiers to make their representations, and having regard to certain other events that are to happen this evening, you would agree that

we might adjourn until tomorrow morning to hear the other two Premiers, and then, with your concurrence, go into committee of the whole *in camera*. Does that in general meet your approval?

THE DELEGATES: Agreed.

THE CHAIRMAN: Under these circumstances I will say no more; and at this time we will adjourn until tomorrow morning, at ten o'clock.

FEDERAL-PROVINCIAL CONFERENCE

Ottawa

Tuesday, November 26, 1957.

The Conference resumed at 10.00 a.m. Rt. Hon. J. G. Diefenbaker, Prime Minister, in the chair.

THE CHAIRMAN: Before we resume our session today I think I should make some reference to the reason for the several Premiers and myself being decorated by the floral offering we wear. This was sent to us by the students of Langley High School in British Columbia who send their best wishes on this date, November 26, being the 130th anniversary of Langley, the birthplace of British Columbia. I think we have enough controversial matters to discuss at this session without considering whether that factual statement will be generally accepted by all those who come from British Columbia, particularly my friend the Minister of Justice.

This morning we have to proceed with two concluding statements by the Premier of Alberta and the Premier of Newfoundland. Then I take it it would be acceptable if the Minister of Finance, for whom there is unusual interest in all the representations that have been made, would speak shortly on the representations and his reactions thereto. Whereupon we could resolve to go into committee of the whole *in camera*. I think in general that would represent your viewpoints, it being the customary course which has been followed in the past. With your permission I would now call upon the Premier of Alberta to make the representation for that Province.

HON. LESLIE M. FROST (*Premier of Ontario*): Mr. Chairman, before Mr. Manning speaks I wonder if I might make what I think is a necessary correction. I was talking last evening with my good friend Mr. Campbell, the Premier of Manitoba, and I think we are agreed on it.

Yesterday Mr. Campbell referred to what he called the Ontario formula. I think it is in Table No. 1 of his submission where reference is made to the Ontario proposal of 1955 and 1956 for tax abatements of 15-15-50. That is quite correct up to that point. But it then goes on to show equalization to the national average. It might be implied that equalization of the national average was the proposal advanced by Ontario.

I should say that there are several possible formulae, which were discussed.

There is one concept which would base adjustment or "equalization" payments on the national average of per capita tax yield. That is the first one. The second formula would provide such "equalization" based on the

average per capita yields of four provinces. There is a further formula based upon the per capita tax yield of two provinces, the two highest provinces. Then there are the proposals made by New Brunswick and Nova Scotia which would provide for special payments according to the differences in the personal income per capita in each province.

My recollection of the discussions in the previous conferences as well as at yesterday's is that these various alternatives were possibilities under the 15-15-50 tax abatements, which to my advisers and myself seemed to be required by Ontario.

As I recall it, at no time have I, or the Government of Ontario, taken the position that any one of these formulae should be adopted. Rather we have left that to the conference, and that is my position today. I would not want it to be felt that we are advocating a preference for any of the formulae. I think the furthest I have gone in these conferences is to express great appreciation of the problems of the Maritimes.

On one other occasion I certainly expressed interest in their formula relating to the personal income factor, but beyond that I do not think I have ever expressed particular preference for any one. We take the position that the 15-15-50 tax abatement which is not a formula, is necessary for our province. There is no use of adopting tax abatement rates that are not realistic as regards our basic problems; otherwise our problems are not solved. That is our position. We are just as reasonable as this: if others can show us that the 15-15-50 tax abatement is not needed for Ontario, we will be glad to discuss it with the representatives here, but I would point out that there are two provinces which seem to assume that it is necessary, and I can assure you will be glad to elaborate upon our requirements if need be. As to how justice is brought to the other provinces, we are perfectly prepared to discuss the question without any preconceived ideas.

That is the explanation I should like to give. I do not think Mr. Campbell's statement really bears the interpretation I gave in my remarks. I think that his reference to Ontario was to the 15-15-50 tax abatement and that he was comparing one of the possible equalizing formulae with the proposal he made himself.

HON. MR. CAMPBELL: Mr. Prime Minister, the last thing we from Manitoba would wish to do would be in any way to misrepresent or misinterpret what any of the other premiers or representatives of the provinces or the Federal Government might have put forward here. In order that it will be in the minds of all the delegates I might just repeat what I said yesterday.

"At previous Dominion-Provincial meetings, though not this morning, the Premier of Ontario suggested that the present basis for determining equalization payments..."

You will note the word "suggested".

"...that is, the average per capita yield of the standard tax rates in the two highest yield provinces, should be changed, and proposed that the four top provinces or even the national average should be used to determine these payments."

That is what I said yesterday, and I would not want in any way to put words into the mouth of the Premier of Ontario that he feels were not fair to the position that he took at that time. He and others who were here last March will remember that this suggestion—I called it no more than that in our brief—was made at the *in camera* session, as I recall, and since it was made in camera, we would have to depend upon the memories of those of us who were here if we had no other evidence.

But as I mentioned to Premier Frost last night, I am prepared to call as a witness a paper that is not, I think, considered to be generally unfriendly to my hon. friend. I refer to the Toronto Globe and Mail and its discussion of what happened here in its issue of March 10, 1956. I think those of us who were here will recall that the press was pretty active and pretty interested in what was going on at that time. I remember that Premier Frost, as always, had a good many press people talking to him and here is what the Globe and Mail reported on March 10:

“The formula...”

I did not use that word in my statement yesterday but I note that the Globe and Mail uses it.

“...proposed by Ottawa which provides for the use of the weighted average of the per capita tax yield of Ontario and British Columbia—which to all intents and purposes means Ontario—with adjustment grants running in favour of all provinces except Ontario, simply does not recognize the heavy financial burdens imposed on Ontario and its municipalities in servicing a rapidly growing population and expanding industry which produce a very large part of the money for the adjustment grants. Ontario, Mr. Frost emphasized, is an earning province...”

And so on and so on. It is a long article which I am sure I do not need to read. Anyone can read it by getting that particular issue of the paper. To go on quite a long way, it says:

“Premier Frost suggested...”

That is the term I used.

“...the national average might be the yardstick. Failing that, he held out for the average of four provinces, Ontario, Quebec, Alberta and British Columbia, as being closer to a realistic average.”

I must say that, having to depend on our memories for the *in camera* discussions, I have simply taken what I thought was the best authority I could find under those circumstances and I am quoting from the Globe and Mail of March 10, 1956.

HON. MR. BENNETT: Mr. Chairman, I think it is most unfair that this discussion should take place now when the other two Premiers have not had a chance to speak.

HON. MR. FROST: I am sorry; I just sought to straighten out this interpolation so that others would not infer something that we had not intended. I would say to my good friend that I am perfectly prepared to accept his statement and his explanation.

May I point out that I have the highest regard for the newspaper to which he has referred, the *Globe and Mail*. I can assure him it is a very excellent paper. That is also true of the other Toronto papers, the *Telegram* and the *Star*, which are also good papers. I want to keep this very impartial. However, the interpretation of these very excellent newspapers as to what took place *in camera* is their own interpretation. I would make it plain that as far as we are concerned we have not, as you have noticed, advanced any formula for equalization. As far as we are concerned we are prepared to collaborate and co-operate with all of the members here. We do not have any preconceived ideas. I think that clears up the matter as far as I am concerned.

HON. MR. CAMPBELL: Mr. Prime Minister, I would say only that I agree with everything my hon. friend has said with regard to all of the papers and I would include a lot more in the country. However, I do think it is the experience of most of us who have been here that the reporters try their best—

HON. MR. FROST: Sure.

HON. MR. CAMPBELL: ...to get an understanding of what goes on here, I think usually they get that directly from the people concerned.

HON. MR. FROST: May I say to Mr. Campbell that if there is an inference that I have repeated elsewhere what took place here *in camera* he may be assured that it is not true as far as I am concerned.

HON. MR. CAMPBELL: I accept the hon. gentleman's explanation.

THE CHAIRMAN: We do not want to have it the 15-15-50 formula or bust. The slogan used to be 54-40 or fight. Now that we have resumed and everybody is restored to that feeling of good fellowship that has characterized the meeting, possibly we could hear the Premier of Alberta.

HON. E. C. MANNING (*Premier of Alberta*): Mr. Prime Minister, fellow Premiers, ladies and gentlemen: May I, on behalf of the Government of Alberta express to you, Mr. Prime Minister, and to your colleagues our appreciation of the fact that you have convened this Conference at this time. We wish to join the good wishes which very properly have been extended to you on your election to the high and responsible position of Prime Minister of this great nation. At the same time we wish to wholeheartedly endorse the tributes which have been paid at this Conference to your predecessor in office, Mr. St. Laurent. His statesmanlike patience and courtesy long will be remembered by those who sat under his Chairmanship at previous Federal-Provincial Conferences.

Before turning to the subject matter of our brief submission, may I express to my friend, Premier Campbell of Manitoba, my thanks for the kind condolences that he expressed yesterday on what happened in Edmonton last Saturday night. In accepting the congratulations of Alberta I am sure he will agree that the timing of that event at least was significant. On the eve of this Conference we felt it opportune to give a concrete indication of the willingness of the more fortunate provinces to share with others even those things which by reason of long possession they have come to regard as their own.

Mr. Prime Minister and gentlemen, we are met here as representatives of responsible governments to whom the Canadian people have entrusted the management of their provincial and national affairs. We can discharge the responsibilities which are ours only by coming to grips realistically with the

problems before us in a spirit of mutual determination to see that they are solved not only in the interests of Canada's domestic requirements but having regard also to our position among the remaining free nations of the world.

We are all deeply conscious of current world trends and of the momentous events of recent weeks which have necessitated a reappraisal by the western democracies of the factors which contribute either strength or weakness to their competitive position in the new era of scientific achievement into which humanity has gained entrance.

In the light of the new set of circumstances confronting the Western Hemisphere, the stability of Canada's national economy, as an important member of the North Atlantic Treaty Organization, is of the utmost importance and concern to every Canadian citizen. The stability of the national economy cannot exceed the aggregate of the measure of economic stability within each province. In convening this Conference, you have advised that its major purpose is a review of federal-provincial financial relations. In our opinion, there is no other set of factors more closely related to economic stability at both provincial and national levels.

I will confine this initial statement to a few general observations and indicate one or two basic principles which we believe are pertinent to the attainment of sound and satisfactory federal-provincial arrangements.

It always has been our understanding that the present tax rental agreements were neither proposed or accepted as complete or permanent solutions to this problem. From their inception under the stress of wartime emergency, we have regarded them in the nature of temporary and interim arrangements which have been extended from time to time with only minor adjustments. We have accepted them as being exactly what the name implied—Tax Rental Agreements—under which no province surrendered any part of its constitutional right to those fields of taxation which it vacated voluntarily and temporarily under the terms of the agreements.

In our opinion the formulae employed to date by which the amount of rental was determined and allocated have borne little relation to the fundamental factors and principles involved in a realistic approach to the problem at hand. In effect, the federal authorities determined what they were prepared to pay to gain sole occupancy of the tax fields they desired. On each occasion this sum was increased to a somewhat higher figure through what amounted to a process of collective bargaining on the part of the provinces. Having arrived at the maximum amount they were prepared to pay, the federal authorities then devised a formula which in application gave a result in dollars approximating the aggregate amount already determined by the foregoing procedure.

The formulae adopted have had two fundamental weaknesses. First, they have given practically no recognition to the steadily increasing tax values of the fields rented, and, secondly, the fiscal aid equalization grants which they provide have borne little if any relation to the expanding costs which the provinces have had to meet in the discharge of their constitutional responsibilities. Both of these weaknesses are too apparent to require detailed elaboration. Certainly in the past fifteen years the tax value of the fields rented by the provinces to the Federal Government has increased tremendously. There has been no comparable increase in the amount of rent paid for their exclu-

sive use. The unfairness of this situation is obvious. The unavoidable increases in costs which the provinces have had to meet in the discharge of their constitutional responsibilities are equally well known. Again there has been no related increase in the fiscal grants-in-aid upon which the provinces are dependent in whole or in part to meet these increased costs.

In our opinion, there can be no permanent or even temporarily satisfactory federal-provincial fiscal relations and the equitable allocation of tax fields and tax revenues between federal and provincial jurisdictions is the increasing degree to which the federal administration is participating financially and otherwise in social service programs which primarily are the constitutional responsibility of the provinces. This trend has been fostered by—first, a growing recognition that there is a national responsibility to ensure at least minimum standards of essential social services to every Canadian citizen, irrespective of the province in which he may reside, having regard to the fact that the national interests are involved, and secondly, by the financial inability of most, if not all, provinces to meet from their more limited fields of revenue the tremendous costs which modern standards of social services involve.

There can be little valid argument against the federal government's intervention in these fields as far as it is rendered necessary and proper by the first of the two factors I have mentioned, but there are strong and valid objections to the Federal Government entering these fields beyond the degree to which the national interests and, therefore, the national responsibility is involved on the grounds that federal participation is the best way to solve the financial problems which the rising costs of such services have created for the provinces. To the extent that this is the purpose behind federal participation in fields of provincial jurisdiction, it is our contention that a more desirable procedure would be to increase the financial resources of the provinces sufficiently to enable them to discharge their own responsibilities. This could be done by adopting a formula that would increase provincial revenue under a new tax rental agreement by an aggregate amount equal to what the federal government otherwise would spend on social services in the provinces beyond the extent to which the national responsibility is involved, or, by the federal government vacating certain tax fields in favour of the provinces or by a combination of both.

Another matter of growing concern is the practice of making federal funds for various projects within provincial fields of jurisdiction available on condition that the province matches the federal grant in whole or in part.

There are three valid objections to this type of federal fiscal aid. First, it works a distinct hardship on those provinces which are most in need of financial assistance in that in order to qualify for the federal aid they are forced to increase their own expenditures, the very thing they are not in a position to do.

Secondly, because matching grants are usually conditional on some further expansion of existing facilities or services, those provinces, which by straining their own resources already are providing such facilities or services above the national average, are precluded from participation unless they expand their program still further. In other words their citizens are penalized for having previously expanded their facilities or raised their standards of services above the national average at their own expense.

In the third place, matching grants are by their character limited to specific projects. The determination of what these projects shall be and what types and

standards of services are to be provided is made at the federal level and the proposal is then offered to the provinces to accept or reject depending upon their willingness or ability to meet the portion of the total cost which they are called upon to assume. As a result of this practice, policy with respect to an increasing number of major programs in fields of provincial jurisdiction is more and more being determined at federal level with the provincial governments being left no alternative but to forego this form of federal assistance entirely or accept the project as proposed notwithstanding the fact that it may embody features on which the province might prefer to spend less or do without entirely in order to give priority to some other project which, having regard to the needs of its people, it considers more essential and urgent. In our opinion, the ramifications of this practice should be seriously considered by this Conference.

There is only one other matter to which I would like to make brief reference at this time. On more than one previous occasion we have advocated that consideration be given to a mutual arrangement between the federal and provincial governments under which neither level of government would exercise its right to impose a personal income tax but instead would agree to the imposition of one federal provincial income tax, the aggregate revenue from which would be allocated between the two levels of government under a formula sound in principle and mutually acceptable in its application. Such an arrangement, in our opinion, would avoid the disadvantages of dual taxation without impairing the constitutional rights of either level of government. It would be a practical method of sharing between the federal and provincial governments responsibility for the level of personal income tax imposed. In short, it would permit an arrangement sound in principle, simple in application and at the same time sufficiently flexible to make possible whatever adjustments in personal income tax levels future circumstances may necessitate.

These approaches to the problems we are here to discuss are not advanced at this time as specific proposals or recommendations. I mention them only to emphasize the importance and the necessity of coming to grips with the fundamental principles they involve and which, in our opinion, are basic to the over-all problem of dominion-provincial fiscal relations. I wish to assure you, Mr. Prime Minister, and all members of this Conference of Alberta's desire to assist in every way possible in the attainment of that objective.

Hon. J. R. SMALLWOOD (*Premier of Newfoundland*): Mr. Prime Minister, Honourable Ministers, fellow Premiers, it is just about 11 years ago, now, since I first came to the City of Ottawa. It was in 1946. I had just a week or two before that been elected as one of forty Newfoundlanders who had been elected to what we called the National Convention. The National Convention was a device of the United Kingdom Government to enable the people of Newfoundland, through this Convention, to recommend to the British government what forms of future government ought to be placed on a ballot paper to be laid before the Newfoundland people in a referendum which would follow. Forty of us had been elected.

I, alone, of the 40 had publicly, indeed very publicly, advocated confederation with Canada and everyone, I think, was astounded when in spite of that very public advocacy I was not only elected to be a delegate to that National Convention, but got the largest proportion of the votes cast that any candidate

got anywhere in the country. That was the first great boost that the idea of confederation had received in Newfoundland since the election of 1869, when the whole thing was defeated by the Newfoundland people.

But, having been elected as a confederate, I decided that before the National Convention actually met I had better get up here to Ottawa and find out what I could about confederation. So I went to the Canadian High Commissioner in St. John's and said: "I should like to go to Ottawa and go into all the departments of the Government of Canada which give services of one kind or another to the people of Canada, and thereby find out for myself just what the Government of Canada does for the people of Canada because, presumably, what they do for the people of Canada they would do for the people of Newfoundland should Newfoundland become a province." Mr. Scott MacDonald, who is now, I believe, Canadian Ambassador to Austria, said: "All right, I will tell my government of your request and see whether facilities can be arranged for this."

The late Mr. Frank Bridges, the then Minister of Fisheries, was, I believe, appointed by Mr. Mackenzie King to act as a sort of sponsor and guide for me on that visit, and through Mr. Bridges I was enabled to go into the great departments of state one after the other and spend two or three days in each, finding out just what they did for the people of Canada. At the same time I was introduced to leaders of the opposition—to Mr. Bracken, with whom I had many talks in his office and on his farm some distance from here, and to Mr. Coldwell, and Mr. Low, the leader of the Social Credit party. Indeed, I got to know a good many of Canada's political leaders then.

I spent some two or three weeks here in Ottawa, then went back able to show the National convention, and through them the people of Newfoundland, that if Newfoundland became a province of Canada magnificent service would, indeed, be extended to the people of Newfoundland.

These services, of course, included family allowances, old age pensions, for better payments to our war veterans than we had been able to afford, far better railway services and probably far better public works of a marine character in our harbours and bays; in addition, probably, the Government of Canada would take over the great Gander Airport and operate it, thereby relieving Newfoundland of that costly burden. In many ways, the people of Newfoundland would be magnificently served by the Government of Canada, certainly as compared with the kind of service the Government of Newfoundland—a poor country—would be able to give.

There was, however, one fear in my mind at that moment and that fear has never left me. Confederation might indeed be a magnificent thing for the people of Newfoundland, but what about the Government of Newfoundland? It was freely prophesied by those who opposed confederation that union with Canada would probably mean a far more prosperous people in Newfoundland than had ever been the case in the past, but probably it would also mean a government which would always be poor. Indeed, this was one of the most powerful arguments used against the whole idea of our becoming a Canadian province.

You see, we had grown up as a separate British Colony—the first in the world. We were Britain's most ancient and loyal colony, or so we called ourselves—"the first of Britain overseas". We were the nearest colony to Britain and we had evolved our own financial and fiscal systems.

We obtained our revenue for the most part by an *ad valorem* customs tax on everything which came into Newfoundland—and everything did come in. We did not produce very much ourselves and what we wanted had to come in. As it was imported we collected most of our revenue. It is true we had an income tax and a corporation tax but for the most part, as I say, the Government of Newfoundland over the years had obtained its revenue by means of import and excise duties. Both these duties would go, and they did go. Then we knew about this tax rental idea which had been in effect in Canada during the war; we knew that we could not afford to have the people of Newfoundland pay income tax and corporation tax to the Government of Newfoundland after they had paid it or before they had paid it to the Government of Canada. They could not pay it twice. There was not that kind of money in Newfoundland. Well, if we were to lose the income tax and the corporation tax, the customs and excise duty in this way the Government of Newfoundland would be left without any money at all.

However, that same Government of Newfoundland would still be responsible for health and hospitalization, roads and schools; and remember, we had in Newfoundland virtually no municipalities—virtually none. We had the City of St. John's in the position of having no responsibility at all—and that city still has no responsibility—for firefighting services, for policing the city, for operating schools or hospitals or for the relief of indigents. All these are provincial responsibilities and they still are as they always were. The Government of this new Province of Newfoundland would be left with this heavy responsibility and without any revenue with which to pay for it. This was a haunting fear of those who advocated confederation and our fear was not made any the less by the shrewdness of those who opposed confederation.

Frankly, I myself recognized—although I was not prepared to do so publicly—that confederation would be a gift from God to the Newfoundland people, as indeed it was proved to be. No Newfoundlander would deny that. It was a gift from God to the people but a terrible problem for the provincial government of that people.

Now subsequently we came up here to Ottawa, when I succeeded in getting that National Convention after more than one attempt, to ask Ottawa if they would receive a delegation to discuss the matter of possible confederation of the two countries.

Ottawa said yes, they would do so, or rather Mr. Mackenzie King said “yes”—he would receive the delegation. So we elected seven members and I was one of them. We came up here for three months and because of my earlier visit, which was purely a private venture of my own, I was quite familiar with departmental affairs in Ottawa and was, therefore, of some value to that committee. For three months we stayed here and we went back thereafter still worried about how the government of the new province-to-be would finance itself. We went back and subsequently there was a referendum which resulted in a stalemate; nothing got a majority. There were three forms of government on the ballot paper, you will remember, but nothing got a majority. Responsible government got a plurality; confederation was defeated in that first referendum. Nothing got a majority—only a plurality. You, Mr. Prime Minister, will appreciate the import of that statement. So there had to be what there will still have to be in Canada, I presume, and that is a run-off. There was a second

referendum and this time confederation got in just under the line; it barely won—no more than barely won. Forty-nine per cent or some such figure voted against it; do not forget that, and that is only nine years ago. Fifty-one per cent of the people voted for it, so as I say, it barely won.

Now a second delegation came to Ottawa to write the final Terms of Union; I was also a member of that delegation. We were here for a further three months and again we wrestled with the problem of the effect which confederation would have upon the finances of the government of the new province. We spent three months wrestling with it and we had to confess at the end that we did not know and we could not foresee, Mr. St. Laurent could not foresee, six Ministers of the Canadian Government who were associated with him in the negotiations could not foresee, we seven Newfoundlanders could not foresee, the Bank of Canada or their experts could not foresee and the experts of the Canadian Treasury could not foresee what would be the effect of confederation upon the finances of the government of the province-to-be. Nobody could foresee, so what did we do? We did the only thing there was to do—we wrote an additional term into the British North America Act or into the Terms of Union between Newfoundland and Canada—Term 29. Term 29 is part of the British North America Act which was passed by the Imperial Parliament and the Canadian Parliament part of the Amended Act of 1949.

Term 29 spells out quite frankly the fact that we could not predict what would be the effect of confederation upon the finances of the new province and you will notice, Mr. Prime Minister, that I am drawing a very sharp distinction between the effect of confederation upon the people of Newfoundland and upon the Government of Newfoundland. Term 29 deals only with the Government of Newfoundland and its finances, and it admitted that it could not be foreseen and it provided, therefore, that within eight years of the date of union, which practically speaking meant at the expiration of eight years, the Government of Canada would appoint a royal commission. For what? To review the position up to that time and take a hind look at it since we could not see ahead. They could look back after eight years to review the position. But for what reason? To enable them to determine how much they would recommend to the Canadian Government as an amount which that government would pay to the Newfoundland Government. Again, pay to the Newfoundland Government for what? To enable the Newfoundland Government—now the next word is terribly important, the next word is not “maintain”, the next word is “continue”—to enable the Newfoundland Government to continue the public services of Newfoundland, which were the provincial public services. Now, what public services? At the level and standards—the levels, (size, height, dimension) standard meaning quality, I suppose—the levels and standards were to be continued with respect to the public services of Newfoundland and those levels and standards were to be those reached at the time of this review. Not to improve them, not to raise them—and that is what this conference is for, I take it—but only to hold our own.

Now, that being in the Terms of Confederation the Newfoundland Government in the past eight years, almost nine years, would have been very short-sighted if it had failed to get the levels and standards of the public services raised as high as they were capable of being raised. We would have been very derelict in our duty had this been the case, but we did raise them. No province in Canada—and I say this deliberately having watched with absorbed interest

the growth of the 10 provinces in those nine years and the growth of Canada as a whole—no province in Canada has raised its own levels of public services as high during that period as we have raised ours. They have all raised their levels and standards but in those years since confederation—nearly nine years—we have built one-half of all the motorable roads which there are in our province. All in the last nine years. No other province can say that. In the last nearly nine years we have provided in Newfoundland 25 per cent of all the hospital beds there are in Newfoundland today. No other province can say that one-quarter of all there are have been provided in that period of time.

In our first year of confederation we spent \$3½ million on education. The only money spent on education in Newfoundland is that spent by the government of Newfoundland. There is none spent by any municipality, we had no school boards raising money by selling bonds. All education money comes out of the provincial treasury except for some contributions made by the churches. We spent \$3½ million in that first year of confederation which represented the total cost of education in Newfoundland. Eight years ago this sum was \$4½ million; seven years ago the figure was \$5 million; six years ago it was \$5½ million; and five years ago it was \$6½ million. Then we jumped to \$6,700,000, then to \$9 million; then we jumped to \$10 million and this year we jumped to over \$13 million. We have jumped from \$3½ million to \$13 million in a period of less than nine years. No other province in Canada can come near that. Where were we after doing that? We have built half the roads there are in Newfoundland today in the nine years since confederation. How many roads are there, including all we have built? There are 3,200 miles. After doubling the mileage of motorable roads we still have only 3,200 miles.

You can see Nova Scotia on that map. Newfoundland is 42,000 square miles, Nova Scotia is 22,000 square miles; Nova Scotia has 15,000 miles of motorable roads; we have 3,200 miles.

New Brunswick has 13,000 miles of motorable roads; we have 3,200. Prince Edward Island, which is 2,000 square miles—you can see it on the map—has 3,500 miles of motorable roads. We have 3,200. Prince Edward Island has 400 miles of paved roads; we have 120 miles in the whole island.

Nova Scotia has seven universities; we have one. New Brunswick has six universities; we have one. Our university is only one in name, almost. We have only passed the law to declare it a university.

So that after all the money we have spent on roads we are now at least 25 years behind Nova Scotia in roads. After all the money we have spent on education we are 25 years behind Nova Scotia, New Brunswick and Prince Edward Island. After all the money we have spent on public health we are still a quarter of a century behind the three maritime provinces. That is our present position after all the money we have spent in the last nine years.

Under the terms of reference, under the terms of Section 29, the Royal Commission will not be allowed to recommend that the Parliament of Canada on your recommendation vote us more than enough to continue at the levels which we now have. In other words, the most we can hope for from the Royal Commission is enough to keep us 25 years behind Nova Scotia as she is today. Premier Stanfield will understand that I am referring to Nova Scotia as being the principal and largest province of the three maritime provinces, but I might take New Brunswick or I might take Prince Edward Island.

MR. FLEMMING: Not correct, the largest.

MR. SMALLWOOD: Not the largest, no, just in population. Perhaps it is the largest in wealth.

MR. FLEMMING: Depends on whether you want money or not.

MR. SMALLWOOD: Yesterday Premier Stanfield in his magnificent speech, and Premier Flemming in his magnificent speech, each had a paragraph of identical meaning referring to Newfoundland. You, Mr. Prime Minister, referred specifically to Newfoundland but in other terms, I am happy to say.

I got the impression from these two friends of mine that they are under the impression that so far as this conference is concerned Newfoundland might as well not be here, that our case is being taken care of by the Royal Commission. *That is not so.*

No matter what the Royal Commission recommends, no matter if they recommend the full amount we have asked for and if you and your colleagues recommend that amount to Parliament and Parliament passes it, all it will do will be to enable us, to enable the Government of Newfoundland, to continue the present levels and standards of our public services which are a quarter of a century behind the Maritimes. That is all it can do at the most.

That is why I noted so carefully your words yesterday when you did not by any manner of means suggest that Newfoundland had no place in this conference today and yesterday. I thank you and Newfoundland thanks you for that.

I have not the figures, but we understand that Ontario and Quebec and every province west of Ontario have standards and levels of public services, and private services, of public living and private living, considerably higher than those of the three maritime provinces, but the three maritime provinces are at least as much above Newfoundland as the rest of Canada is above the three maritime provinces. Do not think that I glory in saying that, but if we do not tell the truth about it we are going to be short-changed.

The truth is that we were too long on our own. I notice that that map is dated 1955, but when I came here the map showed Newfoundland and Labrador coloured in white. They were not part of Canada, they were a separate British colony. We were alone too long. We left it too long to join Canada. We tried unsuccessfully for centuries to paddle our own canoe and to get along unaided, by our own efforts.

As a result we were left behind in the march of North American progress. We ask the Canadian Government this simple question: Do you really think, does Canada think, does the Parliament of Canada really think, does the Prime Minister think, that Canada has done its full duty to the new province when it implements the recommendations of the Royal Commission which will enable it to maintain our present levels and standards?

Is that all? Are we not to be invited to future fiscal conferences? Does that settle Newfoundland's case, just the implementing of the report of the Royal Commission? Are we not part of this fiscal conference when the Prime Minister said yesterday that he will recommend to Parliament some additional and special consideration for the Atlantic Provinces? In adopting the new term "the Atlantic Provinces" did he not include Newfoundland? I am sure

he did. Was that not something separate and apart altogether from the Royal Commission? *Surely the recommendations of the Royal Commission have nothing to do with this fiscal conference, nothing whatever.*

I dare not go back to Newfoundland if I do not make this point, the point I have been making. I dare not go back and the Prime Minister will not dare go back. Having made that point I think, I have only two other things to say.

I like the proposals by the two Douglasses. The proposal made by Manitoba, as I understand it, is more or less the same as that made by Saskatchewan. We will go along with them. We would be happy to have that. But that is over and above the Royal Commission.

Finally, I like the first week of January for the resumption of this conference. By the end of the first week of January, or around that time I think all the ten provincial governments will need to know what they are going to insert in their budgets. I imagine the Government of Canada will need to know by then. So I press strongly for the resumption of this conference at a date not later than the first week of January.

I apologize if I have taken too much of your time, but for Newfoundland it is a matter of life or death. It is not just another few dollars, it is life or death. It means the success or failure of confederation. Newfoundland cannot go on as a successful and contented province if the government of the province has not the money and cannot get the money to give the people the services they deserve as Canadians.

THE CHAIRMAN: I will say no more at this time, but I would point out to the Premier of Newfoundland that when I used the expression "the Atlantic Provinces" I anticipated what his views would be in regard to the use of that expression.

Before we resolve ourselves into committee of the whole I am sure you would want me to ask the Minister of Finance, to whom I have referred already and to whom one or more of the Premiers have referred, to speak shortly and give us his reactions on this matter. We can then resolve ourselves into committee.

I would point out that before doing that the group photograph is to be taken in order to perpetuate this gathering in picture. After that there will be a slight delay while the room is being made available for use as a committee room. Therefore, with your leave, I call upon the Minister of Finance, the Honourable Donald M. Fleming.

HON. DONALD M. FLEMING (*Minister of Finance*): Mr. Prime Minister, Hon. Prime Ministers of the Provinces, Hon. Ministers, members of the delegations, ladies and gentlemen. If you should detect in the Minister of Finance this morning a cheerful expression suggesting light-heartedness, I think I should say at once that that is usual. It is worn without prejudice to anything that has been said or heard or thought in this room during the past day and a half.

I think, sir, that the calling of this conference has already been abundantly justified. A number of the provincial premiers have spoken in warm approval of the calling of the conference and, indeed, those expressions are very gratifying. I believe, sir, that the conference is making a contribution not only to better understanding of these intergovernmental problems but I trust to harmony in our approach to them.

On that note on which I opened, sir, may I make this comment in summary form. It is not possible to make precise calculations of the burden that would be assumed by the federal treasury if effect were given to all the proposals that have been submitted to the conference. But as far as those proposals admit of reckoning in the short space of time available, it would appear to us that the amounts aggregate something substantially in excess of \$1½ billion per annum.

We asked the provinces for a statement of their views on questions pertaining to fiscal relations between the federal and provincial levels of government and we thank the provincial premiers for their statements. It is quite clear that there is a good deal of diversity in the approaches of the various provinces. There is a marked diversity in the sum total of the proposals which have been put forward. Indeed, some of them are new so far as our searches of the government records in the short space of time available at our disposal indicate.

I am sure that provincial representatives would not expect us to enter into extended comment on so many of the individual proposals which have been put forward. What has been submitted, sir, does underline, I think, what you said at the opening in your remarks yesterday as to the need for a comprehensive understanding of the points of view of the provinces and their approaches to the subject of dominion-provincial fiscal relations. We have received those statements, have derived the full benefit from their comprehensiveness, and I think it is apparent, sir, that the wisdom of asking for comprehensive statements before addressing ourselves to particular decisions has been abundantly justified.

Now, sir, may I make a brief comment on the suggestions as to the form in which the conference might continue. Suggestions were made yesterday on the part of two provincial premiers, I think, that an attempt should be made at this conference, which means today, to arrive at firm decisions. May I point out, sir—and I think this is in the minds of all of the provincial representatives—that we did call this conference as soon as possible after taking office. The new government has been faced with many burdens, including a number of conferences. This one was called as a two-day conference and the invitations were accepted on that basis.

The proposals which have been submitted all involve the expenditure of large sums of money. All of them require careful study. Indeed, sir, we would be doing less than justice to them and the important sources from which they come if we did not undertake to give to them careful study. Moreover, some of the proposals will necessarily involve extended planning and surveying before precise calculations could be arrived at or decisions based upon them.

Therefore, in conclusion it seems to me that we are in this position. The provinces, which with one exception and one other exception in part, had entered into agreements with the former government effective on the first of April of this year, have in their statements indicated to us quite a marked difference in approach to the problem than one might have inferred from the signing of those agreements.

Having regard to the extent, the number, the importance and the cost involved in the various important proposals which have been made, it is evident, sir, as you said at the outset, that with a purse necessarily limited it is highly

important that this conference should not close later today without our having gone as far as may be possible in seeking further information as to the views of the provinces concerning priorities among the various proposals put forward.

We are not undertaking to disagree at this point with any proposal that has been put forward. But, having regard to certain limitations, I think it is obvious, sir, that we will derive no little benefit in the consideration that the Dominion Government will necessarily be giving to these questions following the conclusion or adjournment of this conference if we could have from the provincial premiers some indication as to how they sort out these proposals in various categories in terms of their priorities. With that help I think I may assure the provinces that we will give to these problems and to their submissions the very best consideration of which we may be capable.

The CHAIRMAN: In that spirit of good fellowship, and before we close the formal sessions, may I say on behalf of the Government of Canada that we appreciate very much the frankness with which the representations have been made and the very fine spirit here in keeping, as I knew it would be, with that spirit of confederation which brought about this nation.

I think Premier Smallwood in his concluding words showed something of the spirit that has been prevalent here, one of mutual, serious consideration of problems that affect us all. I do want to thank you, and it is not in any perfunctory manner, for the way in which you have made your presentations on behalf of the provinces. It is something that reveals to me that, while we have different spheres in which to operate and we do not all have the same political viewpoint, nonetheless this conference to this moment, and I am sure as it continues in camera, indicates that we are Canadians all. Thank you very much.

The conference then proceeded to sit IN CAMERA.

Appendix "A"

COMMUNIQUE

During its sessions in Committee on November 26th, the Dominion-Provincial Conference on fiscal relations discussed matters concerning the financing of hospital insurance, the sharing of costs of assistance to persons in need, special fiscal assistance to the governments of the Atlantic Provinces and fiscal matters.

Many delegates declared it to be desirable to remove the "threshold" provision in the Unemployment Assistance Act in order that the Federal Government would assist provinces in meeting the costs to persons in need whether they were employable or unemployable.

It was generally agreed that the overall economic position of the Atlantic Provinces is now such as to justify some special grants in aid to the governments of those provinces from the Federal Government.

Possible changes in the Tax Sharing Arrangements Act were discussed but it was understood that no endeavour would be made to reach conclusions on this matter prior to further consideration of the subject by the Dominion Government in the light of the public statements made by the Provincial representatives in open sessions and the discussions which took place in Committee.

All delegations wish to express their pleasure at the opportunity which the Conference afforded to put their views before the others who were present. It was agreed that a subsequent meeting be held as soon as possible in the new year in accordance with the proposal made by the Dominion Government in calling this Conference.

Appendix "B"

(Translation)

THE HON. MAURICE L. DUPLESSIS (*Premier of Quebec*): Mr. Prime Minister of Canada, Provincial Premiers, Federal and Provincial Ministers, and Delegates. It is quite natural and fitting that my first words at the opening of this important conference should be spoken in French. French was the language spoken by the men who, from the very first and throughout the course of Canada's history, played a vital role in the exploration of this country, in opening it up for settlement and in bringing civilization to its shores.

The Prime Minister has spoken some words of welcome in French, and I wish to thank him for having, like Her Majesty the Queen during Her recent and memorable visit to Ottawa, made this courteous gesture. In the past, I have taken part in many Canadian intergovernmental conferences. Generally speaking, they were "circumferences" rather than conferences, because we were always going around in vicious circles. Mr. Mackenzie King, who presided over a great many of these conferences, never expressed himself in French on those occasions. Mr. St. Laurent, on the other hand, frequently addressed the delegates at those meetings in French when he was Prime Minister of Canada.

It is true, as the Prime Minister stated a little while ago, that the faces have changed in the federal government. We hope that federal policy in the matter of intergovernmental relations in Canada has also changed. As far as the Province of Quebec is concerned, in the sphere of federal-provincial constitutional relations, we have not changed, and we do not intend to change. In our opinion, the settlement of federal-provincial problems transcends in importance all partisan interests, all political parties and all political leaders.

We are convinced that the confederative system is the one best suited to this country. It was built, it was formed, as it were, by the blood of our heroic ancestors; it was born of the countless sacrifices, the steadfastness and patriotism of our forbears. Canadian Confederation came into being after 107 years of study, reflection, toil and experimentation which occasioned great sacrifices and even a rebellion. Is it reasonable to believe that the edifice which required 107 years of labour, study and such achievements to build would stand for only 90 years? Such a claim would be insulting in the extreme and would constitute an unpardonable injustice to our gallant and heroic pioneers.

And besides, what is Confederation? It is a compact between the four original provinces, or rather between the representatives of the two great races. This compact, which the parties undertook on their honour to respect, was ratified by the Parliament of Westminster, acting in this case as a notary to give legal form to that agreement or contract. No one can fail to appreciate the importance of the year 1867. For almost a century after 1760 mighty struggles were waged and great sacrifices made in order to obtain a parliamentary system and responsible government. Confederation was not established in order to forget or set aside those great achievements, but rather to confirm and consolidate them. Is it possible to have a responsible government without taxation powers? Obviously not. When one government is dependent on another, it is a "guest" without that real freedom of action that is inherent in responsible government.

Quebec is not asking for any favours; it is merely claiming respect for its rights and liberties. Nothing more, but nothing less, either. Each province has, within its own territory, exclusive rights in the matter of direct taxation for provincial purposes. No person of good faith can contradict this assertion. For those who proclaim that the federal government has concurrent rights in the field of direct taxation, we point to section 92 of the Canadian constitution and add that a concurrent right does not admit of monopolization or grabbing. If two persons have the right to draw water from a spring, that right confers on them both the power to go to the spring; neither of those two persons can legitimately prevent the other from going to that spring. Quebec is asking Ottawa to remove the many obstacles which the federal government is unlawfully increasing to the point where it is extremely difficult and practically impossible to move freely along the road that leads to the source of revenue.

We want the provinces to be able to exercise all their taxing powers with regard to personal income tax, corporation tax and succession duties. Succession duties belong to the provinces; they are derived from the civil code and from the Canadian constitution, which reserves exclusively for the provinces questions concerning Civil and Property Rights. In 1942, for the first time in the history of the country, Mr. King seized the succession duties. He tried to justify this encroachment by invoking two strange reasons. Firstly, he said, by imposing succession duties the federal government would make it possible to collect all of the personal income tax. What a strange argument! If the federal government acknowledges its inability to collect the revenue from a single tax, it does not make its work easier by adding to that the collection of a second tax. Furthermore, Mr. King's theory is inconsistent with British fair play and the old axiom that no one can be tried without being given a hearing. To attack someone who is dead is certainly not an act of bravery, much less an act of justice, because it is possible that the victim, when he was alive, could have defended himself successfully.

We believe that Ottawa will never be able to justify its intrusion in the provincial field of succession duties. As for personal income tax and corporation taxes, the constitution seems to us to be sufficiently clear about the matter. However, to clear up any doubts that may linger in the minds of some sincere persons, we again suggest the following three methods of dealing with the constitutional problems between federal and provincial levels of government.

1. The clarification and precise definition of the taxation powers of the federal government and the provinces, in keeping with the letter and spirit of the Canadian constitution. That is to say, by taking into consideration the past, present and future.

2. Simplification of taxes in such a way as to decrease its cost and facilitate its collection.

3. The collaboration of all public authorities to reach a degree of moderation in the field of taxation and to lighten, as far as possible, the burden on the taxpayer.

Appendix "C"

PROVINCE OF MANITOBA

REPORT OF SELECT STANDING COMMITTEE
ON AGRICULTURE AND IMMIGRATION TO THE HONOURABLE,
THE LEGISLATIVE ASSEMBLY OF MANITOBA

FINDINGS AND RECOMMENDATIONS

Winnipeg, Manitoba, April 2, 1957.

Your Committee finds:

1. *Farm Credit*

Farming in Manitoba, during the last twenty-five years, has progressively developed into a highly capitalized business and its need for adequate credit, both capital and operating, is now a matter of serious national concern. To acquire land, break new land, purchase farm equipment, construct buildings, develop livestock enterprises, employ labour, develop more efficient land use practices, adopt changes in crop rotations, seed down acreages to grasses and legumes, etc., and provide for the general operating expenses incidental to the farm, ample credit must be available. The need of credit facilities is especially pressing where young farmers wish to become established, or are assuming responsibility for the home farm.

If agriculture is to be more fully and more efficiently developed, husband its resources, and continue making its now generous contribution to the Canadian economy, it must be assured of adequate credit and in such manner as will best serve its needs.

2. *Parity*

The price which the farmer receives for his produce has not kept pace with increasing cost to him of the commodities which he must purchase in order to carry on his farming operations.

While some persons advocate parity prices as a solution to the problem, the comment made in this respect by H. H. Hannam, President of the Canadian Federation of Agriculture, deserves careful consideration—

No country in the world has as yet discovered a completely successful program for guaranteeing farmers 100 per cent parity income.⁽¹⁾

There is a wide divergence in opinion on the subject of parity prices, even amongst agriculturists. This conflict is such that no recommendation can be made on this subject, but the following observations are of prime importance in any consideration of a parity plan:

- (a) Its implementation would of necessity be Federal rather than provincial in scope.
- (b) It has inflationary tendencies.
- (c) It tends to produce surpluses.

⁽¹⁾ The C.F.A. News and Information Bulletin, Vol. 5, No. 8.

- (d) While raising the total agricultural income, distribution amongst individual farmers would be uneven (19.7 per cent of Manitoba's farmers would receive 49 per cent of the increase, whereas, in the lower revenue group 41.4 per cent of the farmers would receive only 17.9 per cent⁽¹⁾).
- (e) Canada is less able than, for instance, the United States, to implement a farm parity plan because Canadian agriculture comprises, relatively speaking, a much greater segment of the total economy.

Price Supports

Price supports for farm products are a very necessary and integral part of national agricultural policy, since they act as a guide to production and provide a measure of stability in farm output and income.

In a recent discussion on Price Supports and their relation to parity as applied to farm income, Dr. H. H. Hannam commented as follows:

The purpose of price supports is not to guarantee farmers prices on each individual commodity which will guarantee him parity of income... price supports should prevent prices from falling to levels which destroy the ability of representative producers to continue in business. But they should not be so high as to stimulate increased production of commodities already in surplus. Price supports need to be established at levels which will:⁽¹⁾

- (a) Provide a minimum level of return per unit of production, enabling the most representative group of producers of any commodity to continue in production;
- (b) Facilitate orderly production adjustments within agriculture.
- (c) Prevent undue fluctuations of market prices and production.

3. Soil Conservation and Land Use

Conservation of soil and water resources is fundamental to sustained agriculture, and the many projects jointly or individually undertaken by the Federal and the Provincial Governments have been and are of substantial benefit to the economy of this Province.

The following is a list of the various projects that have been undertaken:

- (a) Pipestone Creek flood control and land reclamation.
- (b) Riding Mountain (northern and south-eastern slopes) stream-bed improvement, flood control, and soil conservation.
- (c) Duck and Porcupine Mountains—headwater control and stream-bed improvements.
- (d) Assiniboine River dyking and head water control investigation.
- (e) Pasquia—dyking and land reclamation.
- (f) Pembina Escarpment—reclamation and soil conservation.
- (g) Community Pastures—9 pastures comprising 155,000 acres.
- (h) Stockwatering dams and dugouts.
- (i) Field shelter-belt planting.
- (j) Soil surveys and soil investigations.
- (k) Forage crop assistance and pasture improvement (58,000 acres seeded past four years).

⁽¹⁾ Prof. Sol Sinclair—Brief to Committee.

4. *Crop Insurance*

While crop insurance provides farmers with a measure of security which is sorely needed, its potential liabilities are such as to be beyond the fiscal capacity of any single agricultural province.

A practical crop insurance plan would require Federal assistance in the form of guarantees to be called on in case of emergency.

As stated by the Federal Minister of Agriculture, action towards this goal should originate at the provincial level.

5. *Grain Grading Service*

That the grain grading services provided by the Inspection Department of the Board of Grain Commissioners for Canada is eminently satisfactory to those marketing grain.

6. *Interest Rates*

Recent advances in interest rates have resulted in a substantial increase of farm costs. For instance there is the recent increase of 1 per cent to elevator companies and the Canadian Wheat Board. With approximately 500 million dollars involved daily, the added cost to the Canadian Wheat Board for the crop year 1956-1957 will be in excess of 3 million dollars. This added cost is, of course, charged against the farmer.

7. *Prairie Farm Assistance Act*

While undoubtedly serving a need under certain circumstances, the Prairie Farm Assistance Act has not met with general approval by Manitoba farmers, mainly because it fails to recognize the better crop production record by farmers of this Province as compared with those of other prairie provinces. The rectangular block of eligible sections of land, as provided for under the Act, does not serve Manitoba's conditions.

8. *Unemployment Insurance and Workman's Compensation*

The task of finding suitable agricultural labor is becoming increasingly more difficult. One of the reasons for this difficulty must be attributed to the present inability of such laborers to qualify for unemployment insurance benefits under the Federal statute. Many persons who could and would be attracted to this work are now lost to other enterprises where such benefits are available.

The prime obstacles to extending the present statute to include farm labor are mostly administrative and arise out of the difficulty in:

- (a) classifying agricultural workers, and
- (b) Determining the status of family help.

These obstacles, however, are not insurmountable. In this respect the Federal Deputy Minister of Labor, in addressing the Annual Federal-Provincial Farm Labor Conference on December 5th, 1956, declared:

I think it is particularly important to get Unemployment Insurance legislation extended and while there are serious administrative difficulties involved, they are not insuperable. What is necessary really is the building up of public opinion and pressures for these extensions.

After commenting upon the extension of such legislation in other fields, the speaker went on to say:

I do not think it is beyond the realm of possibility that they can go on from there to farm labor.

8A. While the benefits available under the Workmen's Compensation Act (provincial) are available to them, the farmers of Manitoba have not so far taken advantage of the statute. At the present time only thirty-three farmers in this province are covered under the Act.

This lack of agricultural interest is probably due to the farmer being unaware of the benefits.

9. *Immigration*

Manitoba's agriculture, over the years, has made a most important contribution to settlement of peoples from other lands. There are still opportunities in agriculture, but industry may be expected to absorb a greater proportion of those seeking a home in Manitoba.

The expanded flow of immigrants that Canada has welcomed over the past decade, if continued in the years to come, will greatly benefit Western agriculture through a much enlarged home market, especially for farm products that are mainly dependent upon export markets.

10. *Sugar Beets*

The production of sugar beets has come to occupy a foremost place in the Province's move toward diversification. The cash return to growers on an acre basis ranks as one of the highest in the Province. Beets are a crop that the grower, who is on contract, can deliver immediately upon harvesting and obtain a liberal cash advance upon delivery. Land following the growing of beets ranks with, or exceeds, the best of summerfallow when planted the following year. The 1956 beet crop is expected to return to farmers $3\frac{1}{2}$ million dollars, while the sale of manufactured products from the industry will reach $5\frac{1}{2}$ million dollars. In the opinion of the committee two important facts in this connection should be emphasized and publicized.

- (a) Under the present contract the growers' share to the extent of 61 per cent in the net profit on sugar sales.
- (b) Manitoba beet sugar is priced to wholesalers at 30c. per cwt. below the price of cane sugar.

The Manitoba Department of Agriculture has made a valuable contribution to the beet industry by assisting materially in the cost of a research study made by the Department of Agricultural Economics and Farm Management of the University of Manitoba.

11. *Grain for Feed Companies*

Present quota restrictions on grain delivery are causing considerable difficulty and dissatisfaction amongst producers who wish to deliver feed grain to a Feed Mill and receive in return a similar amount of prepared animal or poultry feed. Producers consider that they should be able to sell their quota allotment of Feed grain for cash and then still be permitted to obtain their prepared feed requirements by delivering a similar quantity of feed grain to a Feed Mill on a non-quota basis.

Inability to do so has resulted in delivery difficulties of non-quota feed grain to Feed Mills which are not agents of the Canadian Wheat Board. This situation has reacted most unfavorably on the established Feed Mills properly carrying on business as agents of the Board.

12. *Marketing Boards*

The individual farmer sometimes finds himself at a disadvantage in bargaining for the sale of his produce when he deals with large and well organized buyer organizations. Producer Marketing Boards, an alternative to the co-operative method of marketing farm products, provide producers with the opportunity for collective bargaining.

Advantages claimed for marketing plans are:

- (a) Greater control over price, grade and quality.
- (b) Less fluctuation, both seasonal and from year to year.
- (c) Greater efficiency in production.

Control vested in Marketing Boards may not meet with the complete approval of all producers in all fields and in some instances may curtail the quantity of production enjoyed by certain producers prior to marketing control.

Under existing legislation in this Province, Producer Marketing Boards may be established to control marketing in any field, but at the present time the Manitoba Marketing Board lacks producer representation.

13. *Livestock*

Livestock production, in representing 20 per cent of the 1956 net aggregate farm income, is Manitoba's second major farm undertaking. That there is general interest in livestock is borne out by the fact that the cattle population in 1956 increased by three per cent. Hog production for the current year is forecast at higher levels.

The rapidly increasing domestic demands for meats would appear to merit this added producer interest, particularly in the production of quality livestock. Increased forecast in human population would seem to warrant a gradual upward trend in production, particularly for cattle and sheep. Rapid, and sharp increases need to be avoided, particularly in hog production. While livestock prices may fluctuate from time to time, the long-term view of the livestock industry appears promising.

A substantial amount of low quality slaughter cattle originates in this Province. While it is most desirable that every effort be made to improve the quality of Manitoba cattle through improved breeding and proper finish, and while it is desirable that greater numbers of Manitoba farmers feed and finish slaughter cattle, there have been some very valid reasons for marketing of animals which will not meet the requirements of "Red" and "Blue" brand beef.

- (a) The need for cash to pay farm operating accounts.
- (b) Increased demand for fluid milk from Manitoba's growing urban centres has encouraged the development of many dairy herds and a greatly increased number of dairy animals, the by-product of the dairy farm, are being marketed.
- (c) Extensive cattle producing areas of this Province, unsuited to the production of feed grain, are and will continue to be a source of "stocker" and "feeder" cattle.

- (d) The difficulty of obtaining experienced farm labor has made it impractical for many farmers to effectively develop their livestock enterprise.
- (e) That many of the good cattle areas have been plagued in the last three years by excess water, consequently pastures have been restricted resulting in cattle arriving at central markets in poorer condition than normally.

14. *Extension Activities and Agricultural Research*

Over the last years there had been a substantial increase in extension services and research grants provided by the Government. This increase is reflected by:—increased extension services to:

- (a) The establishment of the Agricultural Representative system which now covers the whole farming area of Manitoba,
- (b) The recent formation of the Soils and Crops Branch to deal with the many problems associated with efficient land use,
- (c) Considerably increased research grants made to the Faculty of Agriculture of the University of Manitoba, and,
- (d) The erection of the new agricultural building at the University site which will greatly facilitate research programs.

15. *Cash Advances on Farm Stored Grain*

Consideration was given to cash advances on farm stored grain.

RECOMMENDATIONS

Your Committee recommends:

1. *Farm Credit*

- (a) That the Province of Manitoba negotiate with the Government of Canada for the amendment of the Canadian Farm Loans Act by liberalizing the loan limit available to individual farmers, with particular attention to the credit need of farmers who anticipate entering into livestock production, specialty crops and of young farmers becoming established on farms. Such negotiation to be supported by Manitoba's offer to guarantee 50 per cent of any accumulated loss accruing from the increase on such loans.
- (b) That in addition to the assistance offered by the Province through its University and Department of Agriculture, a counselling service similar to that which has proven helpful to those granted loans under the Veterans Land Act, be provided for borrowers under the Canadian Farm Loans Act.

2. *Price Supports*

- (a) Continuation of the present federal price support policies, and extension of price support programs to other products, particularly to poultry meats, provided such price supports are in recognition of quality production.
- (b) The adoption of the recommendation of the Canadian Federation of Agriculture, which was endorsed by Mr. W. J. Parker, President,

Manitoba Pool Elevators in presenting his brief, viz., that the Canadian Wheat Board be authorized to sell wheat for domestic flour purposes at the ceiling price of the International Wheat Agreement, i.e., \$2.00 per bushel (or the Class 2 price, whichever is greater).

- (c) That the Federal Government be urged to enter into consultation with representatives of the principal farm organizations for the purpose of giving consideration to the feasibility of a policy of forward pricing and deficiency payments for major farm products.

3. *Soil Conservation and Land Use*

- (a) That present programs be continued, new projects developed, and increased technical assistance be provided the farmer by the Provincial Government.
- (b) That the Government continue to urge upon the Canada Department of Agriculture the need for a national soil and water conservation policy, and the urgent need for a conference on this matter, wherein all three levels of government (federal, provincial, and municipal) would participate.
- (c) That a brief dealing with this Province's problem in respect to land use be presented to the Special Committee of the Senate, appointed to consider and report on Land Use in Canada.
- (d) That the Land Rehabilitation Act (Manitoba) be studied, and if deemed necessary, amended at the next session of the Manitoba Legislature, to provide for the establishment of conservation areas and such other matters as may be considered necessary or pertinent to soil conservation and water control in agricultural areas of this Province.

4. *Crop Insurance*

Further study and discussion on crop insurance through joint arrangements with the Federal Government and the Governments of the Provinces of Alberta and Saskatchewan, taking into account the preferred position of Manitoba farms.

5. *Grain Grading Services*

- (a) That farmers make full use of the grain grading services offered by the Board of Grain Commissioners for Canada.
- (b) That information of grain grading services available to the farmer be supplied with each permit book.

6. *Interest Rates*

That monies made available through chartered banks to the grain trade and the Canadian Wheat Board be at interest rates lower than at present, considering the lower administration cost, and the excellent security offered.

7. *Prairie Farm Assistance Act*

That representation be made to the Federal Government for amendments to the Prairie Farm Assistance Act to provide:

- (a) That blocks of land need not necessarily be rectangular in shape to qualify under the Act.

That 18 or more sections being contiguous, either diagonally or by abutment, constitute an eligible block, even though they are not all located within the same township.

- (b) That all purchasers of Crown land and those in off-farm employment, if contributing to the Fund, in eligible areas be included for awards under the Act.
- (c) For the repeal of subsection 9 of section 11 which provides for reimbursement of the Federal Government for advances made by it to the Prairie Farm Emergency Fund.
- (d) That the Act be amended to provide for proportionally greater benefits to Manitoba farmers in recognition of the Province's consistently high crop yields and low incidence of crop losses.

8. *Unemployment Insurance*

That exploratory discussions with the Federal Department of Labour be continued and that vigorous representations now be made for extending the benefits of the Unemployment Insurance Act to agricultural laborers.

8A. *Workmen's Compensation*

That the benefits and protection available under The Workmen's Compensation Act be brought to the attention of all farmers, through the medium of the established farm organizations, the press and the radio.

9. *Immigration*

That the appropriate Federal authorities be urged to maintain the present aggressive and expanded immigration policy which would benefit both agriculture and industry.

10. *Sugar Beets*

That the Federal Government be urged to review the report of the Restrictive Trade Practices Commission having to do with the purchase of the Manitoba Sugar Company by the British Columbia Sugar Refining Company Limited; particularly in view of the contribution which this crop makes to the farmers' income and to the economy of the Province as a whole and keeping in mind the anticipated keener competition in the sugar market, which will result from the completion of the St. Lawrence Seaway.

11. *Grain for Feed Companies*

That appropriate representation be made to the Federal Government for amending legislation which, on a non-quota basis, would permit feed mills to purchase wheat of grades from No. 4 down to "feed" and other feed grains direct from those producers who in return purchased from the feed mill a similar quantity of prepared animal or poultry feed.

12. *Marketing Boards*

That the present Manitoba Marketing Board be enlarged to include representation from producer, processor, and consumer groups.

13. *Livestock*

- (a) That the livestock producers of this Province be urged to make greater use of the Sire Assistance Policies in obtaining bulls, boars, and rams for herd and flock improvement.

- (b) That the establishment of artificial insemination units be encouraged wherever feasible, particularly in the more outlying areas of the Province.
- (c) That "Stocker" and "Feeder" cattle auctions be encouraged, particularly in the cattle producing areas which are unsuitable to grain production.
- (d) That the Province, in co-operation with the University of Manitoba, undertake further economic research in livestock production and marketing.
- (e) That farmers make greater use of the Public Stockyards in the marketing of hogs to assure a more competitive market.

14. *Extension and Research*

That the present program be continued and expanded with special emphasis being placed upon the economic aspects of farming, including farm management.

15. *Cash Advances on Farm Stored Grain*

- (a) That the Government of Canada provide a permanent arrangement for cash advances through the Canadian Wheat Board on that portion of farm stored grain for which quotas have been declared open but no elevator space is available.
- (b) That the Canadian Wheat Board make use of all available storage space in Manitoba elevators, even though grain quotas in Manitoba be higher than in Saskatchewan and Alberta.
- (c) That the Federal Government be encouraged to assist grain companies to erect additional storage space at Manitoba shipping points whereby farmers be enabled to deliver an initial quota of eight bushels per acre.

Appendix "D"

SUBMISSION BY THE PROVINCE OF PRINCE EDWARD ISLAND TO THE FEDERAL-PROVINCIAL CONFERENCE NOVEMBER 25, 1957

Introductory

The Province of Prince Edward Island welcomes the opportunity afforded by this Conference to meet with the representatives of the other provinces and of Canada to participate freely and frankly in the discussion on fiscal relations.

The favourable manner with which the provinces received the suggestion of considering the financial situation in which the Constitution has placed the provincial governments, and of discussing means of improving their financial position, indicates the widespread uneasiness on this subject in the minds of all public men entrusted with provincial affairs.

We are reminded of a similar Conference of provincial governments held on October 20, 1887, in the historic City of Quebec. It was the first meeting of the provinces since Confederation and it was convened by the Government of Quebec to discuss fiscal relations and other matters of common provincial interest. In his opening remarks, Premier Mercier quoted from the speech of Sir Andrew Stuart, the Administrator of the Province, at the opening of the first Session of the 6th Legislative Assembly of Quebec:

“My Government intends inviting the Governments of the other Provinces and that of the Dominion, to examine a question of vital importance, namely: that of their financial and other relations with the Federal Government the lapse of twenty years since Confederation, has shown the insufficiency of the financial arrangements made at the outset.”

It was therefore apparent to one of the larger provinces in 1887, just twenty years after Confederation, that the financial terms of Union were inadequate. As for the smaller provinces, it is well known that Nova Scotia registered her objections to the terms even before the British North America Act became law.

At Confederation there was a strong desire on the part of the founding fathers, particularly those from the central provinces, to avoid subsidies, but they were even less disposed to give the provinces a concurrent power of indirect taxation. Since the fees and receipts from natural resources were insufficient to balance provincial budgets, and since there was little expectation that the power of direct taxation would be used, the inevitable choice seemed to be that the provinces must have either some power of indirect taxation or revenues through subsidies.

After Union it was soon found that the financial resources of the provinces were entirely inadequate and “special” grants were being paid to Nova Scotia, New Brunswick, Prince Edward Island and British Columbia. Soon economic depression stultified provincial economic development and increased provincial pressure for more generous financial terms. Nevertheless, the federal government refused to grant higher subsidies, and the provinces, thus thrown on their own resources, began to wield their powers of direct taxation which the founding fathers had hoped would not be used.

Today, the governments of Canada and the provinces meet again, as they did in 1887, with the same sincere desire to study the best measures for solving the present problem of financial relations. We have every reason to believe that the Government of Canada so recognize our fiscal difficulties, the inequities of the present system of financial arrangements, and the wide economic disparity existing in Canada between provinces, that our efforts to place our finances on a more solid basis will receive from that Government the most favourable consideration.

FUNDAMENTAL PRINCIPLES OF FISCAL RELATIONS

Canada being a federal state, has three levels of government—national, provincial and municipal. The financial problem in such a system is to ensure that each level of government has sufficient funds, at all times, to carry out its responsibilities and provide a reasonable national level of services without resorting to an abnormal burden of taxation. This is the basic and indispensable minimum requirement of any division of revenues between the levels of government.

As Canada has grown to the status of a nation, so have we grown as provinces, and government today,—at all three levels—is a large social economic mechanism designed to serve and operate for the welfare of the people.

The growth of state activity, particularly, since the last World War, has meant not only rapid changes in the functions of individual governments, but also the rapid transfer of functions from one level of government to another.

Furthermore, the same services are expected at the same level of government throughout the country. Canadians expect, and rightly so, the same quality of service—in education, in highways, in health and welfare, in justice, and in all the well-established functions of government.

The recurring difficulties encountered by provincial governments in financing their existing responsibilities throughout the course of the federation's fiscal history has been the cause of almost all the revisions made to the financial settlement made at Confederation. The objective is not met if some provincial governments have wealth and funds in excess of their needs, while others, less wealthy, fall short, even though the provincial level of government is adequately provided for in the aggregate.

Each government should be able to meet its responsibilities, however vaguely defined these may be, without undue strain. This means that the revenues given to a province should be commensurate with their responsibilities, so that individual tax rates will not be too high and the fields of taxation generally overworked.

The Province of Prince Edward Island has advocated for years the recognition of this principle, and we again appeal to the Government of Canada to measure our needs, tax potential, and tax ability, as the predominant factors in financial arrangements between the Government of Canada and the Province of Prince Edward Island.

Another disturbing factor has been the economic inequality of the provinces. The gap between the economically fortunate provinces and those which are not so well off is out of all reasonable proportion; and financial arrangements which have enabled the wealthier provinces to meet their obligations have usually not been sufficient to relieve the stringency of those with more limited means. As the late Honourable Norman McLeod Rogers emphasized "a federation defeats its primary purpose if through its constitutional arrangements or through policies instituted by the national government it accomplishes the gradual debilitation of one or more of the provincial communities of which it is composed".

So far as the smaller provinces are concerned, their existing responsibilities are becoming more burdensome and are growing beyond the means of local government administering them. New and costly responsibilities are upsetting their budgets. The effect of the automobile on provincial and municipal finances is one example—the need and demand for greatly improved highways, roads and adequate bridges to carry the heavy loads. Changing ideas of social welfare is another example and a costly one. There are bound to be more such changes in the future, in this age of rapid, social, economic and technological development. The subsidies paid, plus the revenue from local sources, have proved totally inadequate to provide sufficient revenue to enable the smaller provinces to deal satisfactorily with the varied interest entrusted to their charge. And, they have been unable to meet the steadily increasing obligations necessary to maintain efficiently their respective governmental services and to promote the moral and material progress of their people.

Per capita provincial expenditure on certain common and essential services, such as education, highways, public health, and public welfare, has varied greatly from province to province, and the second reason for the difference has been the small per capita income of some of the provinces as compared to others.

The problems of the "have-not" provinces of adjusting the pattern of community living to standards of modern technology and of raising levels of local services to modern standards are placing tremendous strains upon the finances of many of our provincial and municipal governments. In some cases, Prince Edward Island for instance, it has resulted in an ever-increasing debt with its accompanying debt charges.

Moreover, every conceivable measure must be taken to stimulate and encourage the development of the primary resources of our country, regardless of their geographic location, and ensure continued expansion of secondary industry.

These are not problems which can be solved by the provinces alone; nor can they be solved by the federal government without reference to the provinces. Their solution requires co-operation and teamwork on the part of the provinces and the federal government with the understanding and support of the people at large. Regional economic disparities should not be permitted to hinder this teamwork.

PAST AND PRESENT FINANCIAL ARRANGEMENTS NOT REALISTIC AND WHOLLY INADEQUATE

One of the prime necessities of federalism is national consideration of the contribution and needs of ALL partners in the union. In such a system the basic and indispensable minimum requirement of any division of revenues between the two levels of government is one that will ensure that each level of government has sufficient funds, at all times, to carry out its responsibilities and provide a reasonable national level of provincial services without resorting to an abnormal burden of taxation.

The Tax Rental Agreements may have produced a tax structure that is on the whole somewhat efficient, despite the lack of universal agreement, but they are not the fundamental solution to the financial problems of our federal form of government. They may have enabled some of the provinces to substantially expand their provincial, social, and other services, and assisted in the development of their natural resources. But, an examination of our accounts will prove, beyond doubt, that the financial benefits accruing to the Province of Prince Edward Island were not even sufficient to meet its material needs let alone provide for expansion of services and development projects.

We do not propose to examine, at any length, the weaknesses inherent in the present scheme of federal assistance to the provinces. These weaknesses have been pointed out to the federal government at many Conferences on financial relations and have been recognized by eminent writers on the subject of public finance in Canada and the United States. We mention, therefore, only a few of the many unfortunate features which appear to us not to have received the consideration to which they are entitled.

In the first place, experience has indicated that the past and present tax rental agreements have not gone far enough to meet the needs of low-income provinces in that they were largely based upon a per capita plan of compensation. The combination of a "standard" tax yield and "equalization" grant does not really compensate for the inequalities of the per capita plan. Actually, a proper equalization adjustment would have to take into account the per capita income of a province.

In the second place, the existing plans fail to recognize the differences in tax effort in fields other than income taxes. In the third place, they do not allow for the steady decrease in the purchasing power of the dollar.

One prominent authority on Public Finance went so far as to say—"The relative improvement of the four Atlantic Provinces (taking these as the more needy provinces) is less marked under the new scheme of 'equalized tax potential' on a per capita measurement than would be expected, because under the tax rental agreements these provinces were receiving a higher per capita payment than most other provinces".

We fully agree with the Provincial Treasurer of Ontario, who said in his Budget Speech of March 1, 1956—"The Ontario Government has consistently supported federal fiscal need payments to the provinces which generally need them, but it seriously doubts that the present formula achieves this purpose".

On Monday, July 16, 1956, the then leader of the opposition speaking in the House of Commons said—"a full recognition of the moral obligation due to the Atlantic Provinces—and a just arrangement with those provinces is long overdue, merely as a recognition of what was said at the time when those provinces came into Confederation".

He further stated "those provinces met and emphasized their need for greater revenues than will be available to them under these proposals if they are to carry out their responsibilities either under the provincial governments or through their municipalities, particularly if they are to give the Atlantic Provinces the various rights of improvements that were contemplated in Confederation itself. Everyone who has gone through these provinces and has seen the need for improvement in many communities throughout those provinces knows that recognition of their needs is something that is very urgent within this federal system of ours".

The Leader of the Social Credit Party, on the same day, termed the new federal offer "unrealistic and niggardly" and said it is based on "a surprisingly hard and uncompromising attitude".

With the disparities that exist among provinces in income and wealth, it is clear that without financial support from the federal government the less wealthier provinces can maintain governmental services comparable to those in richer provinces *only* by the expenditure of substantially greater tax effort. These provinces have often hesitated to levy the heavy taxes which these services would require, for fear of driving out the business enterprise they sorely need to improve their economic condition. As a consequence, public services administered without federal assistance in these provinces have suffered. Even where federal-provincial programs calculated on a percentage or per capita basis, and not upon provincial need and fiscal ability, the assisted services must, of necessity, be performed at levels substantially below those in other parts of the country.

Nearly twenty-five years ago Professor B.P. Adarkar of Benares Hindu University, India, pointed out the inadequacy and failings of the present system of tax sharing arrangements. In his book "The Principles and Problems of Federal Finance", page 127, he refers to the invasion of the field of income and corporation taxation by the Federal Government of Canada, and the question of reimbursements to the provincial governments in these words: "Increased subsidies, of course, are out of the question for reasons already given. As

regards assigning to each Province a percentage of the revenue from the income tax, the question would arise as to the principle on which such assignments should be based. Arbitrary principles are impossible. The respective population bases, besides being a very inadequate index of needs, would put the Dominion Government in the same quandary as the subsidy question has done up till now. If the Federal revenue collected in each Province is taken as the index, this will surely not be responsive to needs, and besides the collection of revenue within a Province does not properly signify the economic allegiance of the taxpayer. Moreover, as the Dominion Government would have the power to alter the tax at its discretion and according to its own needs, this will necessarily cause much uncertainty in the Provincial budgets. The supplemental system, however, has much to commend itself".

On page 237 he again brings up the population factor—"Population" he writes "however, is not by itself a sufficient index of the necessitous condition of a state. A rich state, while having a larger per capita income tax assessment, may, at the same time, have a larger population. Any grant from the federal treasury to such a state on a per capita basis is, therefore, bound largely to neutralise the burden of federal taxation that it bears and contradicts the end of federal transfers".

Quoting further from this eminent author we find on page 195—"on the other hand, the agency of public expenditure may be so utilized by the federal government as to benefit the poorer states more than others. Special subsidies and subventions may be granted them so as to encourage and enable them to carry out projects either of the welfare or developmental variety. The richer states, needless to say, will grumble, as they always have done in most federations about the disparity between what they contribute to the common purse and what they receive as a return therefrom".

For these reasons we wish to record our disapproval of any financial arrangement that is based purely on theoretical calculations designed to meet only one purpose, and not the actual financial requirements of provincial governments. The Maritime Provinces need adequate levels of education, health and welfare services, and economic development without resorting to taxation far more severe than the Canadian average. Experience has indicated that the tax-rental agreements have not provided these means.

After considerable study of the various approaches to the problems of intergovernmental financial relations we still maintain that any proposed plan for payment of unconditional grants should only be adopted after a thorough re-assessment of the relative needs and resources of the various governments. Evaluating present and future demands (for five year periods) and then determining the annual payment to be made to each government, sufficient to enable it to meet those demands, is in our opinion the most realistic approach. We agree that it may be difficult for some of the provinces to forecast their budgetary needs for five year periods, but it is the only exact method that will solve Prince Edward Island's fiscal problems compatible with present conditions and tax ability.

If it is the policy of the present Federal Government to continue to use the same method of unconditional grants to the Provinces, then we suggest that it should include (1) a basic guaranteed amount across the board before any fair and reasonable compensation for the rental of tax fields is calculated;

and (2) an adjustment grant, supplementary to the other two payments, for the less favoured provinces to permit an equitable minimum standard of governmental services across Canada. An adjustment grant would give some assurance that, in normal years, the provincial services will not be permitted to fall below the Canadian average and it would also protect the provinces against a slump in provincial revenues resulting from low prices for their primary products.

THE APPEAL OF THE PROVINCE OF PRINCE EDWARD ISLAND
FOR A MORE REALISTIC AND ADEQUATE
FINANCIAL ARRANGEMENT

As hereinbefore mentioned, one of the prime necessities of federalism is national consideration of the contributions and needs of all partners in the Union. We are proud of our position as a Province of Canada, and we declare that size, wealth, and economic potential are not the only factors of national welfare and prestige. Like Tasmania in Australia and Rhode Island in the United States, we maintain that special consideration must never be neglected for the small partners, their position in the state, and the abilities and needs of their people.

The dominant factor in taxation on Prince Edward Island is the natural financial limitation of an agricultural community. As the Rowell-Sirois Commission pointed out "The Province does not form a satisfactory unit from the point of view of public finance, and, particularly for raising revenue. The subsistence nature of the economy, the low-average net value of agricultural production, and the lack of urbanization are reflected in a total real property rate which is only one-fifth the Canadian per capita average. The province's lack of any public domain is responsible, of course, for the absence of revenue from that source".

The result of this situation is an inability to pay for needed services and to pay adequate salaries to governmental personnel, teachers, and others who are now remunerated at rates much lower than those paid in Charlottetown by the Federal Government and private industry.

Other provinces have resources and possibilities, such as mining areas, power developments, oil fields, and, of course, the St. Lawrence Seaway. We would gladly welcome the discovery of oil or uranium under our red soil, and it may be that the future will bring us some such wealth. In the meantime, however, it appears that we will have to be content with improving existing enterprises with whatever extra revenue we can secure from presently available sources.

Economic progress does not permit docile acceptance of basic limitations, and if this Province is to play its proper part in the nation, as well as provide the good life for its own people, we must seek ways and means of compensating for geography. Canada, as a whole, must do this; the Island is not unique in this respect. There are many things we can do for ourselves provided we have the revenue, but there are also many ways in which the nation, in its national policies, can contribute toward the solution of the problems of Prince Edward Island.

An assessment of the economic, geographic and other disadvantages of this Province requires a study of its history, its farming and fishing economy, its lack of manufacturing, the availability of markets, and its geographic isolation in relation to the rest of Canada.

The dependance of Prince Edward Island on agricultural and fisheries production, processing, and marketing, is well known. While there is a substantial amount of self-sufficiency, there is, nevertheless, a marked inter-dependance among the primary industries and all other enterprises and an important reliance on a few specialized export commodities which are highly vulnerable to national policies, general economic conditions and other external forces.

Administration is carried on under the authority of one of the oldest legislatures in the British Commonwealth through a Government of nine members. There is one City and seven Towns and a few Villages administered by Municipal Councils suited to their size and functions. Because of the size of the Province the provincial government finds itself carrying on, not only its own functions, but also many which elsewhere would be handled by municipalities. For example, the Province maintains hospitals for mental illnesses and for tuberculosis, health clinics, research laboratories and a town planning office which tends to meet all needs at both levels because they can readily serve the entire Province. We are a province, a partner of confederation, not just 100,000 people in Canada. The provincial government cannot divert too large a portion of its revenues to municipal purposes because the urban population comprises less than a quarter of the total and it depends so much on the welfare of the rural economy. To maintain this balance is a difficult task.

This system of administration must perform the same functions and provide the same services as the systems in the other provinces, albeit on a smaller scale. Consequently, there is more governmental activity, although less governmental expense, in relation to population because a minimum service must be provided.

The growing demands of our people for increased services in the fields of health, welfare, education, and highways—in fact in every field of provincial responsibility—have resulted in steadily increasing pressure on our restricted provincial tax fields. It is only necessary to look at our public accounts in order to see the heavy expenditures the Province has had to meet since the end of World War II. It is obvious then, that to discharge its constitutional responsibilities in a satisfactory manner the Province must find adequate financial resources.

The Province has exploited every feasible means of raising a provincial revenue. In the words of critics, the Province has taxed everything tangible and intangible. For instance, at the last session of the Legislature the Province increased its gasoline tax to 16 cents. It will be found that the number and variety of provincial taxes in this Province is unusually great, and that in almost every branch of taxation our rates are considerably higher, and our scale of exemptions considerably lower, than those prevailing throughout the other Provinces. And yet, on the other hand, by dint of the most drastic economies in provincial administration and by maintaining the barest necessities of education, and other public services, on a scale and at a cost ridiculously low in proportion to those prevailing throughout the other Provinces, the Province

has not succeeded in attaining an even balance between its overall revenue and expenditure. For the last three years the Province has gone behind at the rate of 2 million dollars a year. On top of this, we have been assessed \$1,141,000. by the Federal Government for an overpayment under the 1952 Tax Rental Agreement because the Federal Bureau of Statistics had over-estimated our population figures. This amount is repayable, monthly, over the five fiscal years, starting last April. However, this temporary relief affords no solution to our present problem. It just amounts to some \$228,000. per annum less in sorely-needed revenue.

Education illustrates the situation. The school teachers of the Province, as well as all those engaged in educational work, are grossly underpaid; the average yearly remuneration of a first class teacher was \$2,068. in 1956.

The remunerations of teachers in academies and junior colleges are correspondingly inadequate. This situation is very unfortunate, as it prevents the teaching profession from having that degree of permanency and prestige which is so necessary to the successful operation of an educational system. But the Province is practically helpless in the situation, as no additional provincial source of revenue can be discovered which would improve the conditions referred to.

We are of the "have not" provinces where the taxable capacity at the local level is leanest and, accordingly, the Provincial Government is forced to contribute the greatest share of the cost of education. However, this increased share by the Provincial Government does not compensate for the deficiencies of the local districts.

In all the other provinces of Canada, the cost of education is shared between the provincial government, the school district, municipal, county or local area. On the Island the main burden falls on the provincial government.

Consequently, the overall school expenditure in the Atlantic Provinces is far less than in the wealthier provinces. The standard of educational opportunity on the shores of the Atlantic, under the provincially financed Canadian system, can only be expected to be lower and inferior to that prevailing elsewhere throughout Canada. Considering our financial resources, the Government of the Province is doing all it can in the field of education. Unless it can find other revenues it will not be able to bring the level of education up to a comparable degree with other provinces. A rough survey of our annual fiscal need requirements for education reveal a figure of more than 2 million dollars additional revenue.

The public servants of the Province, engaged in the various branches of the administration, are also employed at an excessively low salary scale. The low rate of wages paid preclude expansion and efficient operation of the public services so urgently demanded by modern conditions.

To attract and hold an adequate civil service staff, including teachers and especially skilled and technical employees, it is essential that they be paid a salary equivalent to that paid by the federal government and private industry in Prince Edward Island. The attractions of higher salaries paid by business and industry are one of the main causes for the shortage of teachers. Business organizations realize this and pay accordingly. They know there is no other

way to stay in business. The same should apply with equal force in government administration. To bring our civil service salaries (excluding teachers) up to a recognized standard level here, would cost in the vicinity of \$200,000.

The largest revenue producing asset—roads—is becoming more and more difficult each year to maintain because of the heavy traffic transporting local produce and other commodities to market centres that once were moved by rail. The Province now has to assume the entire maintenance cost of the Trans-Canada Highway, including all bridges it crosses. More and more demands are being made each winter to keep roads open and is a costly operation. Perhaps no item in a provincial budget is of greater importance than the highway program. Indeed, today it is of vital importance to all our people in all parts of the province. It is an accepted fact that a good highway system is most essential to the expanding economy of a province even though it demands a steadily increasing portion of the budget each year.

Like all the other provinces, we have been caught between rising costs and the depreciated purchasing power of the dollar. Consequently, we find our actual expenditures increasing annually despite our efforts to keep them within the level of our revenues. Their increase has far outstripped any material growth in revenue, with the result that our borrowings are increasing and debt charges are gradually reducing revenues, leaving little to meet the economic needs of the Province.

National unity must be more than a political concept. It must have an economic basis. The problems of the Maritime Provinces, as well as the difficulties of the central provinces, must be tackled by all of us; the problems of any one of the provinces should be the concern of every other province. Prince Edward Island now has many difficulties and we want the assistance of the rest of Canada in solving them just as other now prosperous provinces had in days when they had similar difficulties.

In the early days of Confederation the Maritimes helped to build and make this Canada the great nation it is today. Now, if we are to have an United Canada, the wealth must be spread from the centre to the outside. Should the day come—and it might sometime—when the turn of the economic wheel of fortune brings wealth to the outside and hard times to the central provinces, we promise to take our turn at helping the others.

CONCLUSION

In conclusion, there are certain principles which appeal to us, on the grounds of logic and equity, and which we think might fairly be applied as a test to any suggested financial arrangements. In our opinion any financial arrangement agreed upon must do justice to all provinces. Consequently, the formula must take into consideration all factors affecting their economy. It must recognize sufficiently the basic fiscal inequality of some provinces, and should include a national adjustment grant to those provinces which could qualify on the basis of their need. The amount of the grant should be such as to enable each province (including its municipalities) without resorting to heavier taxation than the Canadian average, to provide adequate social, educational and developmental services.

The question may be raised as to whether the provinces would retain their financial responsibility if they get a larger percentage of their revenue from

the federal treasury rather than from provincial taxation. Financial responsibility is marginal in character in the sense that it arises in connection with that margin of the provincial budget which is not taken care of by existing estimated revenues. Thus, if the federal government's normal assistance to the provinces, plus the provinces other revenue, is measurably less than the provinces, normal expenditures, there should not be any practicable loss of financial responsibility even though federal assistance is substantial. If on the contrary, the moneys provided by the federal government were in excess of state needs, the state would not retain its financial responsibility.

We emphasize these points to make our position perfectly clear to the federal government and the other provinces. We are not here as "beggars" seeking financial assistance to improve our present position at the expense of the other provinces because we lack the courage to add additional tax on our people; nor are we here complaining of the injustices and disadvantages of Confederation. We only seek a fair and equitable solution to our present fiscal problem, and an opportunity of participating more actively in the growth and economy of our country.

It is not, as President Coolidge once said, that "we impose unfairly upon the strength of the strong and encourage the weak in their weakness", but that we apply the resources of the nation to those points where they are most needed and thus strengthen the weakest link in the chain. Neither economically, nor on any other grounds, can a modern system of federal assistance ever be proved to be harmful in its effects. It is the only method of financial adjustment that "combines state control with national leadership". *

The earnest desire of the people of Prince Edward Island is to advance the interest of their Province as an integral unit of Canada and promote its growth within the Union. Some of our disabilities are traceable to national policy, while others may be described as new conditions which have arisen with the march of progress and prosperity.

We have reached what must be regarded as the limits of taxation under present conditions and further direct assessment would cause intolerable burdens upon our people.

To supply the exigencies of government developed under modern conditions, to provide for the urgent demands of vital public services, and generally to meet our budgetary requirements, as they have been set forth in the financial statement "Submission No. 1" attached to this brief, require an additional revenue, of \$5,325,000. The budget is not intended to be an ideal budget, but to represent the minimum of expenditures which are absolutely necessary to bring the public services of the Province up to a minimum standard.

If the Province of Prince Edward Island is to prosper and assume its rightful place in this great Canada of ours it must receive additional federal assistance generous enough to assist her in maintaining services which modern requirements demand.

To prove that our request for 5 additional million dollars, annually, which is based on our needs and fiscal ability, is not only fair, equitable and reasonable, we find that, by employing the province's tax potential per capita and a "tax collectibility factor" in relation to the personal income per capita, the annual increase would be some twenty to twenty-five per cent higher.

* Prof. B. P. Adarker "The Principles and Problems of Federal Finance", p. 235.

We are fully confident that, with the support of our sister provinces, and after hearing our appeal, the Government of Canada will find the ways and means, by special legislation, if necessary, to increase the present financial arrangement with the Province of Prince Edward Island by an additional five million dollars per annum. Such an arrangement would be more in line with our present financial position, our urgent needs, and our taxable capacity.

Furthermore, we request the Government of Canada to consider the cancellation of the debt of \$1,141,103.80 held by them in respect of the overpayment made to the Province of Prince Edward Island under the 1952 Tax Rental Agreement.

Finally, we realize that we are not alone in dealing with the problem of securing more adequate fiscal arrangements. Other provinces, in spite of competent and economic administration and restriction of expenditures to proper provincial purposes, find themselves, like ourselves, unable to maintain the standard of government services normal throughout Canada. Where such conditions prevail, they too should be corrected by a special grant. Of all our "national policies", in a century which Laurier predicted would be Canada's, this one would contribute most to national unity and national spirit, as well as local prosperity, which all our governments must surely desire.

“Submission No. 1”

PROVINCE OF PRINCE EDWARD ISLAND

ANNUAL FISCAL NEED REQUIREMENT
FOR THE NEXT FIVE YEARS

A BUDGET OF REASONABLE MINIMUM STANDARD REQUIREMENTS

SUMMARY OF ANNUAL ESTIMATED REVENUE AND EXPENDITURE

	(Thousands of) \$
Total Net Expenditure (Schedule “A”).....	15,143.
Total Net Revenue (Schedule “B”).....	9,818.
Additional Minimum Amount of Revenue Required Annually to Enable the Province of Prince Edward Island to Establish its Public Services Upon a Basis of a Reasonable Minimum Standard.....	5,325.

The above figures have been the result of a survey made of our present finances, our resources, present demands, the level of services now being provided, and an estimate of aggregate requirements for the next five years. They do not provide for any further federal-provincial shared-cost programs, or any industrial promotion loans. It does, however, provide for an annual repayment of \$228,000 to the Government of Canada for five years, under the 1952 Tax Rental Agreement.

SCHEDULE “A”

A BUDGET OF REASONABLE MINIMUM STANDARD OF PUBLIC SERVICES
ANNUAL EXPENDITURE REQUIREMENTS

(With the 1957-58 Estimates for Comparison)

<i>Budget for 1957-58</i>		Thousands of \$
(Thousands of) \$		
528.	Legislation and General Government..	620.
1,730.	Debt Charges.....	1,700.
233.	Protection of Persons and Property.....	285.
1,626.	Education.....	3,120.
1,985.	Health and Welfare.....	2,375.
824.	Natural Resources and Primary Industries.....	1,320.
4,101.*	Highways, Bridges and Ferries.....	4,515.
250.	Rural Electrification.....	250.
550.	Public Works and Other Expenditures (including Assistance to Municipalities.).....	730.
—	Refund of Overpayment under 1952 Tax Rental Agreement....	228.(b)
11,827.		15,143.

* 1957-58 Estimates provide for a net expenditure of \$536,600, representing the net cost to the Province on Federal-Provincial Highway Projects.

(b) Annual repayment to Federal Government on 1952 Tax Rental overpayment of \$1,141,103.80.

ESTIMATE OF ANNUAL MAXIMUM REVENUES REQUIRED TO MEET A BUDGET
OF A REASONABLE MINIMUM STANDARD OF PUBLIC SERVICES

(Projected at the highest level)

<i>Budget for 1957-58</i>		
(Thousands of)		(Thousands of)
\$		\$
	(1) TAXES	
1,674.0	Gasoline, less rebates.....	2,100.
95.0	Amusements.....	75.
75.0	Insurance Premiums.....	75.
175.0	Tobacco.....	200.
270.0	Liquor.....	285.
2,289.0		2,735.
	(2) LICENSES	
525.0	Motor Vehicle Licenses and Permits.....	550.
35.8	Corporation Licenses.....	60.
18.2	Other Licences.....	35.
217.3	Other Fees.....	255.
796.3		900.
900.0	(3) TEMPERANCE ACT.....	950.
35.0	(4) FINES AND PENALTIES.....	35.
18.8	(5) RENTAL AND SALES OF SUNDRY COMMODITIES.....	40.
300.7	(6) OTHER REVENUES AND REFUNDS.....	320.
4,339.8	Total From Local Sources.....	4,980.
	(7) GOVERNMENT OF CANADA	
647.2	Subsidies.....	657.
50.0	Share of Income Tax on power utilities.....	45.
4,165.0	Tax-Sharing Payment.....	4,136.
4,862.2		4,838.
9,202.0	TOTAL NET REVENUE.....	9,818.

Appendix "E"

FEDERAL AND PROVINCIAL REPRESENTATIVES AND ADVISERS

FEDERAL GOVERNMENT

Rt. Hon. John G. Diefenbaker, Prime Minister,
 Hon. Donald Fleming, Minister of Finance,
 Hon. Léon Balcer, Solicitor General,
 Hon. George Nowlan, Minister of National Revenue,
 Hon. J. Waldo Monteith, Minister of National Health and Welfare.

Advisers

Mr. K. W. Taylor, Deputy Minister of Finance,
 Mr. R. B. Bryce, Secretary to the Cabinet,
 Dr. G. F. Davidson, Deputy Minister of Welfare,
 Dr. G. D. W. Cameron, Deputy Minister of National Health,
 Mr. R. G. Robertson, Deputy Minister of Northern Affairs and National Resources,
 Dr. A. K. Eaton, Assistant Deputy Minister of Finance,
 Mr. Jean Fournier, Assistant Secretary to the Cabinet,
 Mr. R. M. Burns, Department of Finance,
 Mr. J. Garner, Department of Finance,
 Mr. J. E. Howes, Department of Finance,
 Mr. E. H. Smith, Department of Finance,
 Mr. David McQueen, Bank of Canada.

PROVINCIAL GOVERNMENTS

ONTARIO

Hon. Leslie M. Frost, Prime Minister and President of the Council,
 Hon. Dana Porter, Provincial Treasurer,
 Hon. Wm. K. Warrender, Minister of Municipal Affairs,
 Hon. Louis P. Cecile, Minister of Public Welfare.

Advisers

Mr. George Gathercole, Deputy Minister of Economics,
 Mr. H. E. Brown, Deputy Provincial Treasurer,
 Mr. H. A. Cotnam, Provincial Auditor,
 Mr. P. T. Clark, Comptroller of Revenue,
 Mr. H. H. Walker, Comptroller of Finances,
 Dr. C. S. Walters, Consultant to the Treasury,
 Mr. K. Grant Crawford, Deputy Minister of Municipal Affairs,
 Mr. James S. Band, Deputy Minister of Public Welfare,
 Mr. W. J. Smithson, Director, Intergovernmental Relations Branch,
 Department of Economics,

PROVINCIAL GOVERNMENTS—*Continued*

Mr. L. D. Jackson, President, Federation of Canadian Mayors and Municipalities,
 Mr. M. E. Dickerson, President of the Mayors and Reeves Association,
 Mr. R. E. Kilman, President of Ontario Municipal Association,
 Mr. Eric Hardy, Secretary-Treasurer, Ontario Municipal Association,
 Mr. Seely Eakins, Executive Secretary and Treasurer, Mayors and Reeves Association,
 Prof. D. C. MacGregor, University of Toronto, Dept. of Political Economy,
 Prof. M. G. Taylor, University of Toronto, Dept. of Political Economy,
 Prof. E. E. Reilly, Western University, London, Dept. of Economic and Political Science,
 Dr. Charlotte Whitton.

QUEBEC

Hon. Maurice Duplessis, Premier, Attorney General and President of the Executive Council,
 Hon. Antonio Elie, Minister without Portfolio,
 Hon. Antonio Barrette, Minister of Labour,
 Hon. J. M. Paul Sauvé, Minister of Social Welfare and of Youth,
 Hon. Antoine Rivard, Solicitor General and Minister of Transportation and Communication,
 Hon. Paul Dozois, Minister of Municipal Affairs.

Advisers

Mr. Georges H. Shink, Q.C., Comptroller of Provincial Revenue,
 Mr. Pierre Leboeuf, C.G.A.
 Mr. Roger Ouellet, Secretary to the Premier.

NOVA SCOTIA

Hon. Robert L. Stanfield, Premier, Minister of Education and Provincial Treasurer,
 Hon. George I. Smith, Minister of Highways and Provincial Secretary,
 Hon. R. Clifford Levy, Minister of Municipal Affairs and of Lands and Forests.

Advisers

Mr. John A. Y. MacDonald, Deputy Attorney General,
 Mr. Henry E. Potter, Deputy Provincial Treasurer,
 Mr. F. R. MacKinnon, Director of Child Welfare and Mother's Allowances,
 Mr. Irving C. Pink, President, Union of Nova Scotia Municipalities,
 Mr. Innis G. MacLeod, Administrative Assistant to the Premier,
 Mr. L. E. Peverill, Provincial Auditor.

PROVINCIAL GOVERNMENTS—*Continued*

NEW BRUNSWICK

Hon. Hugh John Flemming, Premier and Minister of Public Works,
 Hon. W. J. West, Attorney General,
 Hon. D. D. Patterson, Provincial Secretary-Treasurer,
 Hon. A. E. Skaling, Minister of Labour,
 Hon. J. S. Brooks, Minister of Municipal Affairs,
 Hon. J. R. Pichette, Minister of Industry and Development.

Advisers

Mr. R. S. FitzRandolph, Comptroller General,
 Mr. W. S. Smith, Economic Adviser,
 Mr. T. J. O'Brien, Deputy Provincial Secretary-Treasurer,
 Mr. K. B. Carson, Assistant to the Premier,
 Prof. Aurele Young, Economic Adviser.

Municipal Representatives

Mayor Parker D. Mitchell, Lancaster, N.B.,
 Mayor Charles R. Allen, Hartland, N.B.,
 Mayor W. T. Walker,
 Mr. J. P. Chiasson, Secretary, Gloucester County.

MANITOBA

Hon. Douglas Campbell, Premier, President of the council and Minister of
 Dominion-Provincial Relations,
 Hon. C. E. Greenlay, Provincial Treasurer and Minister of Labour,
 Hon. R. W. Bend, Minister of Health and Public Welfare,
 Hon. C. L. Shuttleworth, Minister of Agriculture and Immigration.

Advisers

Mr. J. Stuart Anderson, Deputy Provincial Treasurer,
 Dr. Morley R. Elliott, Deputy Minister of Health,
 Mr. C. Newell Rowse, Budget Officer,
 Miss June T. Shaley, Research Economist,
 Prof. Clarence Barber, Department of Economics, University of Manitoba,
 Prof. M. Lamontagne, Department of Economics, University of Ottawa,
 Mr. P. F. C. Byars, Executive Director Manitoba Urban Association,
 Mr. T. R. McInnes, Commissioner of Finance, City of Winnipeg,
 Mr. A. A. Trapp, The Union of Manitoba Municipalities,
 Mr. C. N. Kushner, The Manitoba Urban Association,
 Mrs. M. Costantini, Secretary to the Premier.

BRITISH COLUMBIA

Hon. W. A. C. Bennett, Premier, President of the Council, Minister of
 Finance, and President of the Pacific Great Eastern Railway Company,

PROVINCIAL GOVERNMENTS—*Continued*

Hon. R. W. Bonner, Q.C., Attorney-General, Minister of Industrial Development, Trade and Commerce,
 Hon. Eric Martin, Minister of Health and Welfare.
 Hon. Newton Steacy, Minister of Agriculture,

Advisers

Mr. R. B. Worley, F.C.I.S., Executive Assistant to the Premier,
 Mr. D. M. Cox, Commissioner of Hospital Insurance,
 Dr. G. D. Kennedy, Deputy Attorney-General,
 Dr. G. F. Amyot, Deputy Minister of Health,
 Mr. John Doughty, Director of Vital Statistics
 Mr. E. M. Gunderson, F.C.A., Executive Vice-President of Pacific Great Eastern Railway Company,
 Mr. Waldo Skillings,
 Dr. H. F. Angus, Chairman, Public Utilities Commission,
 Dr. J. V. Fisher, Economic Adviser and Co-Ordinator of Finances,
 Mr. G. S. Bryson, F.C.I.S. Deputy Minister of Finance,
 Mr. W. F. Veitch, Assistant Deputy Minister of Finance,
 General C. A. P. Murison, President, Union of B.C. Municipalities,
 Mayor Fred J. Hume, Vancouver, B.C.

PRINCE EDWARD ISLAND

Hon. A. W. Matheson, Premier and Attorney General and President of The Executive Council,
 Hon. B. Earle MacDonald, Provincial Secretary and Treasurer,
 Hon. Keir Clark, Minister of Education,
 Hon. Eugene Cullen, Minister of Agriculture.

Advisers

Mr. R. G. MacLeod Executive Assistant to the Premier,
 Dr. Frank MacKinnon,
 Prof. Bruce W. Hodgins,
 Mr. W. E. Massey, Deputy Provincial Treasurer,
 Mayor J. D. Stewart, Charlottetown.

SASKATCHEWAN

Hon. T. C. Douglas, Premier, President of Council and Minister of Co-operation and Co-operative Development,
 Hon. C. M. Fines, Provincial Treasurer.

Advisers

Mr. T. K. Shoyama, Secretary, Economic Advisory and Planning Board,
 Mr. A. W. Johnson, Deputy Provincial Treasurer,

PROVINCIAL GOVERNMENTS—*Continued*

Mr. D. D. Tansley, Acting Deputy Provincial Treasurer,
Miss E. M. McKinnon Secretary to the Premier,
Mr. H. S. Lee, Clerk of the Executive Council and Secretary to the Cabinet
(Secretary to the Conference delegation),
Mrs. Ann Rivkin, Research Economist, Economic Advisory & Planning
Board.

Municipal Representatives

Mayor J. D. McAskill, Chairman of the Local Government Continuing
Committee and Vice President, Canadian Federation of Mayors and
Municipalities,

Mayor H. J. Maher, President, Saskatchewan Urban Municipalities
Association,

Reeve T. W. Garland, President, Saskatchewan Association of Rural
Municipalities.

ALBERTA

Hon. E. C. Manning, Premier, Minister of Mines and Minerals and Attorney
General,

Hon. E. W. Hinman, Provincial Treasurer,

Hon. J. D. Ross, Minister of Health,

Hon. A. J. Hooke, Minister of Municipal Affairs and Provincial Secretary.

Advisers

Mr. C. K. Huckvale, Provincial Auditor,

Mr. K. J. Hawkins, Deputy Provincial Treasurer,

Prof. J. D. Campbell, Department of Health,

Mr. J. J. Frawley, Special Counsel.

Municipal Observers

Mayor William Hawrelak,

Mr. C. P. Hayes.

NEWFOUNDLAND

Hon. Dr. J. R. Smallwood, LL.D., Premier,

Hon. E. S. Spencer, Minister of Finance,

Hon. L. R. Curtis, Q.C., Attorney General,

Hon. Dr. F. W. Rowe, Ph.D., Minister of Education,

Hon. Dr. J. M. McGrath, M.D., Minister of Health,

Hon. S. J. Hefferton, Minister of Public Welfare.

Advisers

Mr. J. C. Thompson, F.C.A., Financial Advisor,

Mr. C. Goldenberg, O.B.E., Q.C., Economic Advisor,

PROVINCIAL GOVERNMENTS—*Continued*

Mr. G. K. Goundry Esq., M.A., Economist,
Mr. W. M. Marshall, C.B.E., Comptroller of Finance,
Mr. H. G. Puddeste, Q.C., Deputy Attorney General,
Mr. A. B. Perlin.

SECRETARIAT

Mr. Jean Fournier, Secretary,
Mr. Ernest Smith, Assistant Secretary,
Mr. M. J. Deacey, Administrative Officer.

INDEX

Atlantic Provinces, 9, 12, 32, 33, 36, 38, 39, 41, 58, 74, 75, 81, 90, 100.

Power programme in, 9, 36, 38, 39, 41.

Fiscal relations, 12, 75.

Royal Commission on Newfoundland Finances, 12.

Equalization payments, 12.

Conference of Atlantic Premiers, 32.

Atlantic Provinces Economic Council, 32.

Maritime adjustment grant, 33.

Manufacturing industries in, 41.

Agriculture, 46, 65, 87.

Cash advances on farm-stored grain, 11, 87.

Farm Improvement Loans Act, 35.

Canadian Farm Loan Board, 35.

Nova Scotia Land Settlement Board, 35.

Farm credit, 35, 36.

Price support programme, 46.

Canadian Farm Loans Act, 47.

Prairie Farm Rehabilitation Act, 50, 65, 86.

Conference on farm income, 87.

Alberta, 83.

Bennett, Hon. W. A. C., 78, 91.

Statement, 61 to 72.

British Columbia

Columbia River development, 9.

Subvention for coal, 10.

Recommendations for tax rental fees, 63.

Suggested National health programme, 65.

Terms of Union, 66.

Pacific Great Eastern Railway, 67, 68, 69.

Capital expenditures on development, 68.

Road programme, 70.

Public works, 71.

British North America Act, 9, 73, 98.

Campbell, Hon. Douglas, 90, 92.

Statement, 43 to 61.

Canada Water Conservation Assistance Act, The, 49.

Canadian Dollar, 71, 74.

Carnarvon, Lord, 24.

Central Mortgage and Housing Corporation, 10.

Coal, 10, 36.

Commonwealth

Trade Conference, 72.

Confederation, 9, 20, 24, 30, 57, 66, 77, 96, 97, 101.

Conference of Atlantic Premiers, 32.

Constitution, 8, 9, 19, 25, 26, 27, 28, 58.

Constitutional Responsibilities of the Provinces, 8, 9.

Continuing Committee, 14, 38.

Credit

Farm credit, 35, 36.

Diagnostic Services, 10.

Diefenbaker, Rt. Hon. J. G., Chairman (Prime Minister of Canada), 7, 23, 36, 37, 59, 64, 67, 68, 69, 71, 79, 80, 82, 84, 85, 88, 89, 92, 101, 103.

Statement, 8 to 12.

Dominion Government, 9.

Dominion-Provincial Conferences

Conference Oct. 1955, 38, 41, 42, 43.

Conference Mar. 1956, 38.

Douglas, Hon. T. C.

Statement, 78 to 88.

Drew, Hon. George, 54, 75.

Duplessis, Hon. Maurice L., 57.

Statement, 19 to 29.

Economic Development, 16, 43, 62, 75.

Education, 11, 16, 23, 33, 39, 53, 71, 72, 75, 79, 83, 99.

Costs, 16, 33, 53, 71, 79.

Aid to universities, 53, 72.

Technical, 72.

Trade, 72.

National Conference of Canadian Universities, 72.

Employment (See also unemployment), 16, 17, 42, 62, 64, 71, 88.

Winter employment, 88.

Equalization Payments, 12, 18, 22, 29, 30, 40, 54, 55, 57, 59, 74, 80, 89, 91, 93.

Manitoba proposal, 57, 60, 61.

Ontario proposal 15, 61, 80, 89, 90.

Atlantic provinces proposal, 90.

Fathers of Confederation, 18, 23, 24, 27, 33.

Federalism (See Federal System).

Federal System, 12, 19, 20, 23, 38, 57.

Federalism, 25, 27, 28, 74, 76.

Federal Capital Assistance, 34, 39, 42, 43, 45, 49.

Fiscal Arrangements, 8, 12, 15, 18, 22, 26, 29, 30, 39, 41, 44, 53, 54, 59, 61, 64, 73, 74, 75, 76, 77, 79, 80, 81, 93, 94, 102.

Tax Sharing Arrangements Act, 10, 12, 29, 31, 35, 39, 79, 81, 102.

- Equalization payments, 12, 18, 22.
- Tax Rental Agreements 1952, 35, 39, 40, 62, 74, 75, 82, 93.
- Manitoba proposal, 57.
- British Columbia's recommendations, 63.
- Ontario Proposal, 15, 61, 80.
- Guaranteed minimum payment, 82.
- Fleming, Hon. Donald M.
 - Statement, 101 to 103.
- Flemming, Hon. Hugh John, 100.
 - Statement, 37 to 43.
- Flood Control, 49.
- Founding Fathers (See Fathers of Confederation).
- Freight Rates, 50, 71.
- Frost, Hon. Leslie M., 85, 89, 91, 92.
 - Statement, 13 to 19.
- Grants, 45, 76, 81.
 - Equalization, 12.
 - Universities, 17, 53.
 - Adjustment, 33, 38, 76, 77.
- Green, Hon. Howard C., 69.
- Health, 10, 11, 16, 75.
 - Hospital insurance, 10, 33, 34, 65, 84.
 - Diagnostic services, 10.
 - Mental hospitals, 10.
 - Sanatoria, 10, 84.
 - Hospitalization, 11, 16, 23, 99.
- Highways, 16, 17, 50, 67, 69, 86, 99.
 - Federal-provincial highway development programme, 50, 86.
- Hospital Insurance and Diagnostic Services Act, 10, 33, 34, 51, 84.
 - Costs of hospitalization, 11.
 - Federal capital assistance, 34.
 - Implementation, 84, 85.
- Housing
 - Low-cost homes, 10.
 - Central Mortgage and Housing Corporation, 10.
- Industrial Development Bank, 50.
- Industrial Location, 41.
 - Committee on, 41.
- King, Rt. Hon. W. L. Mackenzie, 19, 23, 26, 97.
- Lapointe, Rt. Hon. Ernest, 25.
- Laurier, Sir Wilfrid, 23, 24.
- Low, Solon, 75.
- Macdonald, Hon. Angus L., 28.

- Macdonald, Sir John A., 57.
National policy in 1879, 57.
- MacIntosh, Dr. W. A., 58.
- Manitoba
Proposal for equalization payments, 57, 59, 61.
- Manning, Hon. E. C.
Statement 92 to 95.
- Maritime Marshland and Reclamation Authority, 86.
- Maritime Provinces (See Atlantic Provinces).
- Matheson, Hon. A. W. (Premier of Prince Edward Island).
Statement, 73 to 78.
- Mental Hospitals, 10.
- Mercier, Hon. Honore, 24.
- Monetary Policy, 42.
- Moore, A. Milton, 30.
- Municipal Improvements Assistance Act, 45, 84.
- Municipalities, 9, 11, 12, 14, 15, 26, 39, 45, 59, 61, 62, 64, 82.
Municipal services, 14, 16, 39, 50, 57, 62.
Debts, 15, 53.
Financial position of, in Ontario, 16.
Municipal expenditures increase, 33, 34, 45.
Borrowing, 65, 83.
- National Development, 9, 47, 50, 64, 66, 67, 85, 86, 87.
Industrial development, 50.
Federal Provincial projects, 86.
- National Economy, 93.
- National Housing Act
Urban development and improvement, 9.
- Natural Resources, 26, 30, 38, 48, 76, 82, 86, 87.
Oil and gas, 82, 86.
- New Brunswick (See also Atlantic Provinces), 12, 32, 33.
- Newfoundland (See also Atlantic Provinces), 33, 95, 96, 97, 98, 100.
Royal Commission on Finances, 12, 33.
Terms of Union, 98.
Term, 29, 98.
- Northern Developments, 47, 48.
- Nova Scotia (See also Atlantic Provinces), 10, 23, 32, 33, 73.
Subvention for coal, 10.
Taxable capacity, 30.
Industrial Estates Limited, 32.
- Ontario, 83.
Proposal, 15, 61, 80.
Financial position of, 16.

- Population, 16.
- School enrolment increase, 16.
- Public Treasurer of, 75.
- Perry, J. Harvey, 30.
- Population, 13.
 - Ontario, 16.
- Power Development, 9, 14, 16, 36, 38, 47.
 - Programme in Atlantic Provinces, 9, 36, 38, 39, 41.
- Price Support Program (See Agriculture).
- Prince Edward Island (See also Atlantic Provinces), 32, 33, 74, 77.
 - Financial arrangement, 78.
 - Overpayment to, under Tax Rental Agreement, 1952, 78.
- Provincial and Municipal Services, 14, 15, 17, 57, 73, 74, 75, 76, 79, 94, 98.
- Provincial Rights, 20, 26, 57, 59.
- Public Investment, 38, 53.
- Quebec, 83.
- Resource and Northern Developments, 47.
- Responsible Government, 27.
- Rogers, Hon. Norman McLeod, 75.
- Rowell-Sirois Commission, 31, 40, 52.
- Royal Commission on Newfoundland Finances, 12, 33, 41, 99, 100.
- Royal Commissions
 - On Newfoundland finances, 12, 33, 41, 99, 100.
 - Rowell-Sirois, 31, 40, 52.
 - On rural credit (N.S.), 35, 36.
 - On Canada's Economic Prospects, 38.
 - Duncan and White, 39.
 - Gordon, 58, 83.
 - On Energy, 86.
- St. Laurent, Rt. Hon. Louis S., 13, 19, 29, 37, 92.
- St. Lawrence Seaway, 14.
- Sanatoria, 10, 84.
- Saskatchewan
 - South Saskatchewan River Dam and Irrigation Project, 9, 85.
 - Local government conference, 83.
- Smallwood, Hon. Joseph, 7, 8, 9, 103.
 - Statement, 95 to 101.
- Social Security, 9, 16, 51, 53, 66, 75, 94.
- Stanfield, Hon. Robert L., 37, 100.
 - Statement, 29 to 36.
- Stuart, Sir Andrew, 73.
- Taxation, 11, 14, 15, 18, 20, 25, 26, 27, 28, 29, 30, 39, 40, 55, 58, 75.
 - Fields, 14, 15, 18, 28, 30, 61, 94.
 - Income, 15, 18, 20, 26, 29, 61, 81, 95.

- Corporation, 15, 18, 20, 29, 82.
- Succession duties, 15, 20, 26, 29, 61.
- Natural resource, 18.
- Public utilities, 35.
- Exemption of municipal and provincial government bonds, 45.
- Tax rates, 55.
- Revenues available to provinces, 56.
- Tax Rental Agreements, 1952, 35, 39, 40, 62, 74, 75.
 - Overpayment to Prince Edward Island, 78.
- Tax Sharing Arrangements Act (See Fiscal Arrangements).
- Terminal Facilities, 50.
- Tight Money, 11, 62, 83.
- Trade, 43, 46, 71, 72.
 - Tariff protection, 58, 59.
 - Commonwealth, 72.
 - Farm marketing, 87.
- Trans-Canada Highway, 67, 86.
- Transportation, 43.
 - Air, 51.
- Unemployed Employables, 19.
- Unemployment, 10, 42, 51, 64, 88.
 - Insurance benefits, 11, 19, 64.
 - Unemployed employables, 19.
- Unemployment Insurance, 19, 64, 88.
- Unemployment Assistance Act, 52, 66.
 - "Threshold" of .45 per cent, 11, 88.
 - Unemployed employables, 19.
 - Aged & handicapped persons, 66.
- Welfare (See Social Security).
- Wheat, 46.
- White, Sir Thomas, 26.
- Wilson, Woodrow, 25.

Price: \$1.00

Cat. No. Z2-5701

Available from the Queen's Printer, Ottawa, Canada.

674203
Canada. Dominion-Provincial Conference, 1957
Proceedings.

Gov.Doc
Can
Com

**University of Toronto
Library**

**DO NOT
REMOVE
THE
CARD
FROM
THIS
POCKET**

Acme Library Card Pocket
LOWE-MARTIN CO. LIMITED

